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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

What is business? (3.1)

A Level Business (7132) · Section 3.1

43 questions · 245 marks · Mark schemes included

For the final AQA A Level Business (7132) exams in summer 2027

Questions from A Level (7132) and AS (7131) papers, June 2017 to June 2025.

The AS papers test the same specification content, so every question here is valid 7132 practice.

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HOW TO USE THIS BOOKLET

Questions are grouped by AQA specification sub-topic and run from the lowest mark tariff to the highest within each one.

At the same tariff: AS before A Level, then oldest series first. Each question part appears once only, with its own mark scheme.

Click any row below to jump to it. On every question page, click ANSWER for its mark scheme (and QUESTION to come back).

Pages are the original exam pages. Every case-study question has its full case study printed directly before it.

After the mark schemes, WHAT THE EXAMINERS SAID quotes AQA examiner reports. Use EXAMINER on a mark scheme page to jump there.

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QUESTIONS · 43 questions · 245 marks · 3 sub-topics

SUB-TOPIC 3.1.1 · 9 questions · 31 marks · lowest tariff first

UNDERSTANDING THE NATURE AND PURPOSE OF BUSINESS

4

0 5

The data below in **Table 1** shows the weekly output and total costs of a business.**Table 1**

Weekly output (units)	Total costs (£)
0	420
1	700
2	950
3	1320
4	1750

The total variable cost of producing three units of output is

[1 mark]**A** £420☐**B** £440☐**C** £900☐**D** £1320☐

0 6

Statement 1: 'One purpose of stakeholder mapping is to show the level of power of different stakeholders'.**Statement 2:** 'One purpose of stakeholder mapping is to show the level of interest of different stakeholders'.**Read statements 1 and 2** and select the correct option from the following:**[1 mark]****A** Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐Do not write
outside the
box

0 4

IB/G/Jun20/7131/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

A company decides to rely only on decision trees to decide whether to accept a project. If decisions are based on the financial outcome, what is the most important factor in these decisions?

[1 mark]**A** Expected value☐**B** Initial cost☐**C** Net gain☐**D** Probability of success☐**0 2**

When will a business's corporate objectives be agreed?

[1 mark]**A** After its mission and after its financial objectives☐**B** After its mission and before its financial objectives☐**C** Before its mission and after its financial objectives☐**D** Before its mission and before its financial objectives☐

0 2

IB/G/Jun23/7131/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1** **Statement 1:** 'Profit is important because it can measure success.'**Statement 2:** 'Profit is important because it can reward shareholders.'**Read statements 1 and 2** and select the correct option from the following:**[1 mark]****A** Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐**0 2** Which one of these factors is **not** a feature of lean production?**[1 mark]****A** Frequent deliveries from suppliers☐**B** Long lead times☐**C** Low inventory levels☐**D** Right first time quality☐

0 2

IB/G/Jun24/7131/1



6

Do not write
outside the
box

1 0

Figure 2 below contains data on the costs of producing a given product.

Figure 2

Output (units)	Total costs (£)
0	40
1	80
2	110
3	150

Calculate the total variable costs of producing 3 units of output.

A £30

☐

B £40

☐

C £100

☐

D £110

☐

[1 mark]

1 1

Statement 1: 'According to Taylor, piece rate payments will **usually** motivate workers.'

Statement 2: 'According to Herzberg, piece rate payments will **usually** motivate workers.'

Read statements 1 and 2 and select the correct option from the following options:

A Statement 1 is true. Statement 2 is true

☐

B Statement 1 is true. Statement 2 is false

☐

C Statement 1 is false. Statement 2 is true

☐

D Statement 1 is false. Statement 2 is false

☐

[1 mark]



0 6

IB/G/Jun17/7132/1



7

Do not write
outside the
box

0 9

Statement 1: 'An increase in rent paid by a business will have no effect on its gross profit.'

Statement 2: 'An increase in tax on a business's profit will have no effect on its profit for the year.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

1 0

Which of the following statements is **false**?

[1 mark]

A Profit is a financial target for all businesses.

☐

B Profit is a measure of performance in Elkington's triple bottom line.

☐

C Profit is a reward for risk-taking.

☐

D Profit is a source of finance.

☐

1 1

Statement 1: 'If a limited company stops trading, the shareholders will be expected to sell personal assets to pay the company's debts.'

Statement 2: 'If a limited company stops trading, the business will always pay its payables in full.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

Turn over ►



0 7

IB/G/Jun23/7132/1



Case study: The Hostel Society (AS Paper 2, June 2018 insert)

The full case study for Q2 (3 marks), which follows on the next pages. Read it before answering.

The Hostel Society

The Hostel Society (HS) is a charity which owns and runs 23 hostels in some of the most beautiful and remote parts of the UK countryside. A hostel is an affordable place to stay – providing basic self-catering facilities, communal areas and cycle storage. Guests are typically keen to walk and cycle in the countryside. 1

The Hostel Society's mission is:

'To promote a love of the countryside, particularly to people who have a limited income.'

HS is owned by its members who support the aims of the organisation and who pay an annual fee. Over half of the members of HS are under 25 years old but it is the older members who are the most actively involved in the running of the organisation. Many of the guests at the hostels are also members. Members elect the board of directors (called trustees) at HS. As a charity, the income and assets of HS cannot be paid out as dividends or bonuses to trustees or members. 5

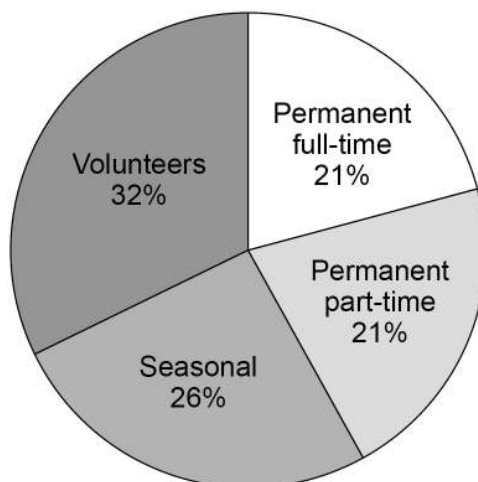
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers share the values of HS, and gain personal satisfaction from their roles and from encouraging others to share their love of the countryside. They have often been involved with HS for several years. 10 15

HS has a flexible staffing structure with a mixture of unpaid volunteers and paid seasonal, full-time and part-time staff (**Figure 1**). This flexibility is seen as key to the success of HS.

Seasonal staff are typically students on low hourly pay rates. They cover busy periods in the summer months when many hostels operate at or near to full capacity. In winter some hostels are closed, and others operate with limited opening times. 20

As well as seasonal demand, hostels have busy periods each day when guests leave in the morning and arrive in the late afternoon. The hostels will often be closed in between these times.

Figure 1: Overall staffing structure of HS



Staff at HS's head office in Lancaster, take responsibility for membership services, marketing and finance. Staff turnover in Lancaster has been high as employees have been attracted by higher salaries offered for similar roles in other organisations.

25

The revenue for HS is generated from guests' stays at the hostels, membership fees and payments for advertising on its website and in its newsletters. The trustees were concerned about the losses in 2015 and 2016 as they always prioritise the long-term financial stability of the organisation. Assets which had been built up over many years from donations from members, had to be used to meet these losses.

30

In 2016 the trustees decided to sell three small hostels in fairly remote parts of the Scottish Highlands, claiming that the low occupancy rate (capacity utilisation) of these properties was unsustainable. This was not popular with some members and attracted bad publicity in the media, as these hostels gave access to remote areas of outstanding natural beauty. The hostels were sold to a property developer who planned to use the land to build new housing developments. The sale of these assets raised £1.5m which funded the upgrade of other hostels, together with a promotional campaign aimed at boosting the demand for both people staying at hostels and becoming members of HS.

35

Overall demand for hostels in the UK has been declining as people now expect more facilities when booking accommodation and many prefer budget hotels. Other hostel organisations have changed what they offer, borrowing large amounts to fund expansion into city-centre hostels. The occupancy rate of these city-centre hostels has been high as the demand is less seasonal.

40

HS has decided to open a city-centre hostel in Edinburgh in 2018. This will:

- be funded by borrowing £3 million
- be aimed at people wanting to stay in the city at any time of the year
- offer more facilities than the existing hostels (such as TVs) in en-suite rooms
- be priced from £60 per night for a room for two people.

45

A number of HS stakeholders oppose this decision to open its first city-centre hostel.

Figure 2: Selected financial and performance data for HS

	2017	2016	2015
Number of hostels	23	26	26
Maximum capacity (overnight stays)	112 000	142 000	142 000
Number of overnights stays	74 000	75 000	76 100
Occupancy rate (capacity utilisation)	66.1%	52.8%	53.6%
Average price per overnight stay	£25.00	£23.50	£23.50
Variable cost per overnight stay	£5.50	£5.50	£5.00
Annual fixed costs for hostels	£1 300 000	£1 525 000	£1 450 000
Profit from hostels		(£175 000)	(£42 150)

END OF SOURCE



This question is based on the case study: **The Hostel Society**

AS Paper 2, June 2018 insert. Printed in full on the pages just before this one (from page 8).

< CASE STUDY

2

Answer **all** questions.

Read the **case study** in the **insert booklet**.

Do not write
outside the
box

0 1

Use **Figure 2** to calculate how many overnight stays were required for HS to break-even in 2017.

[3 marks]

Break-even number of overnight stays _____

Workings _____

3

0 2

Use **Figure 2** to calculate the profit made by HS from hostels in 2017.

[3 marks]

Profit _____

Workings _____

3



0 2

IB/G/Jun18/7131/2



7

Section BAnswer **all** questions in this section.Do not write
outside the
box**1 1**

A business with a reputation for manufacturing a high-quality product has introduced piece-rate pay for its factory workers.

Explain **one** possible disadvantage to this business of using piece-rate pay.

[4 marks]

4

1 2

The following data applies to a business:

Fixed costs	£1.5 million
Total costs	£6 million
Output	2 million units
Profit	£3 million

Calculate the selling price per unit.

[3 marks]

3

Turn over ►

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)

The full case study for Q3 (4 marks), which follows on the next pages. Read it before answering.

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK. 1

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials. 5

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands. 10

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.' 15

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is -0.1 . 20 25

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent. 30

The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position. 35 40



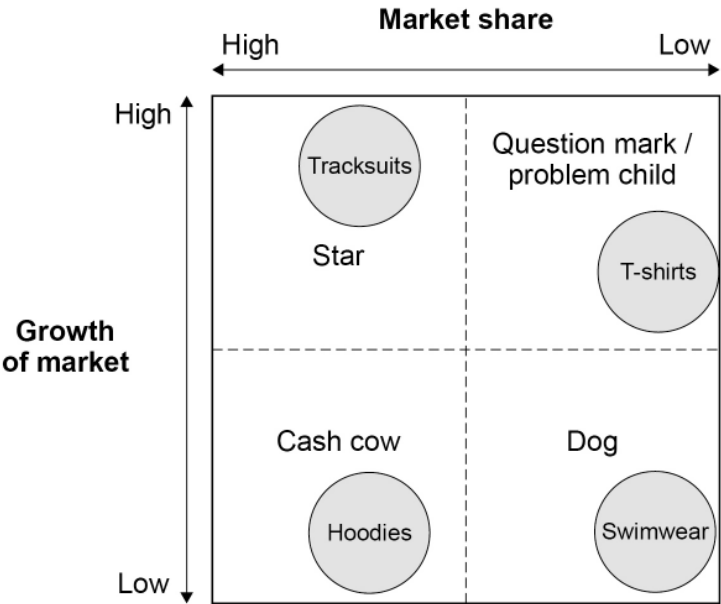
Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025



END OF SOURCE

This question is based on the case study: Hoods Ltd

AS Paper 2, June 2025 insert. Printed in full on the pages just before this one (from page 12).

< CASE STUDY

3

Do not write
outside the
box

0	3
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Explain **one** benefit to Hoods Ltd of having a mission statement.

[4 marks]

Extra space _____

Turn over for the next question

Turn over ►



Case study: The Hostel Society (AS Paper 2, June 2018 insert)

The full case study for Q6 (16 marks), which follows on the next pages. Read it before answering.

The Hostel Society

The Hostel Society (HS) is a charity which owns and runs 23 hostels in some of the most beautiful and remote parts of the UK countryside. A hostel is an affordable place to stay – providing basic self-catering facilities, communal areas and cycle storage. Guests are typically keen to walk and cycle in the countryside. 1

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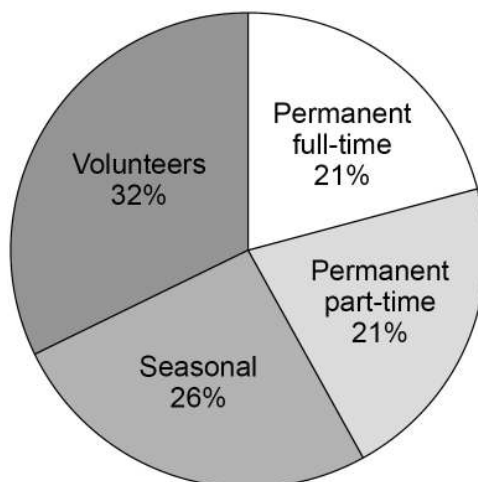
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Annual fixed costs for hostels	£1 300 000	£1 525 000	£1 450 000
Profit from hostels		(£175 000)	(£42 150)

END OF SOURCE



This question is based on the case study: The Hostel Society

AS Paper 2, June 2018 insert. Printed in full on the pages just before this one (from page 15).

< CASE STUDY

6

0	6
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How important do you think making profits is to HS?
Justify your view.

[16 marks]

Do not write
outside the
box



0 6

IB/G/Jun18/7131/2



7

Do not write
outside the
box

Extra space

16

Turn over ►



SUB-TOPIC 3.1.2 · 24 questions · 134 marks · lowest tariff first
UNDERSTANDING DIFFERENT BUSINESS FORMS

3

0 3

Ordinary shares traded on the stock exchange are those issued by

A private limited companies.☐**B** public limited companies.☐**C** public sector organisations.☐**D** sole traders.☐**[1 mark]****0 4**

A manager has a high concern for people and a low concern for production or task. According to Blake Mouton this manager is

A a country club leader.☐**B** a middle of the road leader.☐**C** an impoverished leader.☐**D** a team leader.☐**[1 mark]****0 5**Which **one** of these job characteristics is **not** a factor that will motivate employees, according to Hackman and Oldham's model? A high level of**A** autonomy☐**B** predictability☐**C** skill variety☐**D** task significance☐**[1 mark]****Turn over for the next question****Turn over ►**

0 3

IB/M/Jun19/7131/1



3

0 3

Statement 1: 'A founder of a small business may choose to remain as a sole trader in order to retain full control of decisions.'

Statement 2: 'A founder of a small business may choose to remain as a sole trader in order to limit his liability for debts.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

0 4

A business manufactures one product on a large scale. If the business introduces mass customisation, which of the following is **least** likely to occur?

[1 mark]

A Greater responsiveness to changes in consumer tastes

☐

B Higher added value

☐

C More flexible machinery

☐

D Reduced unit costs

☐

0 5

Statement 1: 'Total revenue = Total costs + profit'

Statement 2: 'Total contribution = (Contribution per unit × quantity) + fixed costs'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

Turn over ►



0 3

IB/G/Jun23/7131/1



3

0 3

A product has demand that is price inelastic. The business selling this product is most likely to:

[1 mark]

A set a high price and use penetration pricing.

☐

B set a high price and use price skimming.

☐

C set a low price and use penetration pricing.

☐

D set a low price and use price skimming.

☐**0 4**

The directors of a public limited company may change it to a private limited company to:

[1 mark]

A access more funds from the stock exchange.

☐

B gain limited liability.

☐

C increase the number of potential shareholders.

☐

D reduce the level of legal regulations required.

☐

Turn over for the next question

Turn over ►



0 3

IB/G/Jun24/7131/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0 1

Statement 1: 'A sole trader is personally liable for all debts of the business.'**Statement 2:** 'The owners of a public limited company are guaranteed to receive higher dividends if profits increase.'Read **statements 1 and 2** and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐

0 2

Which of the following statements is the **most** likely example of an objective that the operations function of a business might set?

[1 mark]

A To deliver 90% of customer orders within 72 hours of order.☐**B** To increase net cash flow to £15 000 for the month of October.☐**C** To increase the value of sales by 15% by the end of 2026.☐**D** To reduce rates of absenteeism by 10% during 2026.☐

0 2

IB/G/Jun25/7131/1



3

0 3

Statement 1: 'Sole traders are usually private sector organisations.'
 Statement 2: 'Public limited companies are usually public sector organisations.'

Read statements 1 and 2 and select the correct option from the following:

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

[1 mark]

0 4

The grid below shows a market map for television sets.

	Low quality	High quality
High price	A	B
Low price	C	D

Based on Bowman's strategic clock, the manufacturer of a television uses a strategy of focused differentiation.

In which segment of the market map is this television most likely to be placed?

A A

☐

B B

☐

C C

☐

D D

☐

[1 mark]

Turn over for the next question



0 3

Turn over ►

IB/G/Jun18/7132/1



*Do not write
outside the
box*

2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0 1

Statement 1: 'In a SWOT analysis, high staff turnover is a threat.'**Statement 2:** 'In a SWOT analysis, excellent research and development facilities are an opportunity.'**Read statements 1 and 2** and select the correct option from the following options.**[1 mark]****A** Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐

0 2

After five years of trading, the value of a company's initial ordinary share capital is identical to the value of its market capitalisation. No further shares have been issued during this period.

These two values will only be identical if:

[1 mark]**A** all of its profit has been distributed to shareholders.☐**B** all of its profit has been retained in the business.☐**C** it has made a total profit of zero over the five years.☐**D** the current market price of the shares is the same as the initial share price.☐

0 2

IB/G/Jun21/7132/1



7

Do not write
outside the
box

0 9

Statement 1: 'An increase in rent paid by a business will have no effect on its gross profit.'

Statement 2: 'An increase in tax on a business's profit will have no effect on its profit for the year.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

1 0

Which of the following statements is **false**?

[1 mark]

A Profit is a financial target for all businesses.

☐

B Profit is a measure of performance in Elkington's triple bottom line.

☐

C Profit is a reward for risk-taking.

☐

D Profit is a source of finance.

☐

1 1

Statement 1: 'If a limited company stops trading, the shareholders will be expected to sell personal assets to pay the company's debts.'

Statement 2: 'If a limited company stops trading, the business will always pay its payables in full.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

☐

B Statement 1 is true. Statement 2 is false.

☐

C Statement 1 is false. Statement 2 is true.

☐

D Statement 1 is false. Statement 2 is false.

☐

Turn over ►



0 7

IB/G/Jun23/7132/1



8

Questions 12 and 13 are based on the following data, which relates to business X.

Do not write
outside the
box

Year	2020	2021
Revenue	£1 000 000	£1 000 000
Average price per unit	£5	£5
Units of output	200 000	200 000
Number of employees	20	22
Number of leavers	6	6
Total employee costs	£500 000	£550 000

- 1 2** Which **one** of the following outcomes happened between 2020 and 2021 for business X?

[1 mark]

	Labour productivity	Labour turnover	
A	Decreased	Decreased	☐
B	Decreased	Increased	☐
C	Increased	Decreased	☐
D	Increased	Increased	☐

- 1 3** Which **one** of the following outcomes happened between 2020 and 2021 for business X?

[1 mark]

	Employee costs per unit	Employee costs as a percentage of turnover	
A	Decreased	Decreased	☐
B	Decreased	Increased	☐
C	Increased	Decreased	☐
D	Increased	Increased	☐



0 8

IB/G/Jun23/7132/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

In which of these business forms could the owner/owners be required to sell personal assets to pay for business liabilities?

[1 mark]**A** Private limited companies and public limited companies☐**B** Private limited companies and sole traders☐**C** Public limited companies only☐**D** Sole traders only☐**0 2****Statement 1:** 'Cheaper resources overseas would discourage a UK business which has a low-cost positioning strategy from re-shoring production.'**Statement 2:** 'Political instability overseas would discourage a UK business from re-shoring production.'**Read statements 1 and 2** and select the correct option from the following:**[1 mark]****A** Statement 1 is true. Statement 2 is true.☐**B** Statement 1 is true. Statement 2 is false.☐**C** Statement 1 is false. Statement 2 is true.☐**D** Statement 1 is false. Statement 2 is false.☐

0 2

IB/G/Jun24/7132/1



0 2

Read the information below and then answer the questions that follow.

Do not write
outside the
box**Ocado venture with M&S**

Marks & Spencer (M&S) started to sell its popular food range online for the first time in September 2020, by forming a venture (also known as a joint venture) with Ocado. Ocado is a solely online supermarket that has well-established distribution networks and market-leading advanced technology.

M&S funded its part of the £1.5bn venture by selling £600m of shares to existing shareholders and by cutting shareholder dividends by 40%.

M&S stated that it had always believed M&S branded food should be available online and combining with Ocado was a 'win-win' situation that would drive long-term growth of both businesses.

Following the announcement of the venture, Ocado's share price rose by 3%.

The launch of the venture followed over a year of hard work and required senior managers from both businesses to work together to make it happen.

0 2 . 1

What is meant by the term shareholder dividend?

[2 marks]

2

0 2 . 2

Explain why the Ocado share price rose following the announcement of the venture.

[4 marks]

Turn over ►

0 9

IB/G/Jun22/7132/2



Case study: Slow Fashion (AS Paper 2, June 2019 insert)

The full case study for Q3 (3 marks), which follows on the next pages. Read it before answering.

Slow Fashion

Many clothing companies succeed by using a 'fast fashion' business model: selling seasonal, cheap, low-quality items that are often manufactured in low-cost countries such as Bangladesh. This practice is used by retailers promoting the latest designs. 1

As a senior buyer for a high street clothing retailer, Claudia Bryant had responsibility for sourcing clothing and negotiating contracts with suppliers from many countries. She was successful in her work by securing low-cost deals. 5

On 24 April 2013, over 1,130 people were killed when the Rana Plaza factory complex collapsed in Dhaka, Bangladesh. 2,500 more were injured. The people crushed under those eight floors were working for familiar fashion brands in unsafe conditions.

Rana Fashion

In 2013 Claudia was shocked by the Rana Plaza disaster. She believed that it was the fault of the 'fast fashion' business model – something she no longer wanted to be a part of. 10

She resigned from her job to set up her own online clothing retail business, centred on ethical objectives. The business (Rana Fashion) is a private limited company with Claudia owning 60% of the shares. The remaining shares are owned by a Bangladeshi charity, ensuring that at least 40% of the annual profits support charitable projects in Bangladesh. 15

The clothes are traditional designs that do not go out of fashion. All are made to last and fabrics are ethically sourced, eg fair-trade cotton. They are manufactured by suppliers in Bangladesh – many with personal links to the Rana Plaza disaster. Each supplier is a small independent family-run business.

Claudia is keen to trade ethically, in contrast with leading retailers, as shown below. 20

Rana Fashion's approach:	'Fast fashion' approach:
• pay promptly to help the suppliers' cash flow	• delay payments to help their own cash flow
• buy and store extra inventory – this allows better capacity utilisation for suppliers	• buy only enough to meet projected demand as old inventory goes 'out of fashion'
• have long term contracts with suppliers – allowing suppliers to plan for their future.	• new contracts each season – in search of lower priced deals.

Rana Fashion garments are sold at a high price. If customers spend over £100 they can pay over 10 months without any interest. Last year 25% of sales were made this way.

Rana Fashion sells directly to consumers worldwide through e-commerce, removing the need for high street retailers. The UK is its biggest market. However, Claudia is pleased that sales in the USA and Europe have recently shown steady growth. 25

No budget is allocated to promotion. Claudia relies on media coverage to promote her brand. She has been interviewed by many newspapers, radio stations and online news providers when journalists have been reporting on ethical fashion. This has proved successful as the readers and audiences have views that are closely aligned with the business objectives.



Rana Fashion invested heavily in its website and is very active on social media, with increasing numbers of loyal customers sharing links which are often seen by hundreds of thousands of like-minded people. 30

The business has large levels of inventory and efficient warehousing is vital. The warehouse manager is a key member of staff and Claudia has designed this job role to have delegated responsibility for the day-to-day running of the warehouse. 35

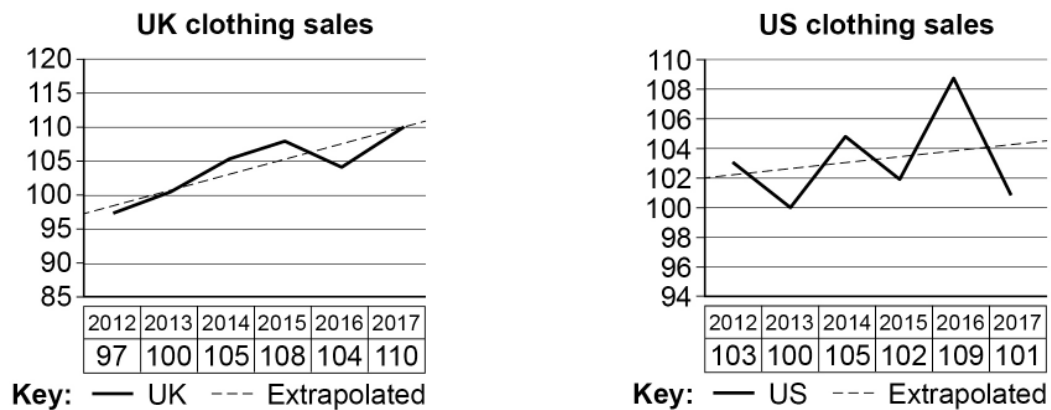
Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, including every address in North America and Europe.

Financially, Rana Fashion has been profitable with rising profit margins, but faces regular cash flow problems. A financial adviser believed that Rana Fashion's business model made the cash flow problems difficult to resolve and had two suggestions to help. 40

Suggestion A:	Suggestion B:
Delay payment to suppliers by paying invoices as late as possible.	Use debt factoring of customer credit.

Appendices continue on the next page



Figure 1: Overall UK and US clothing sales 2012–2017 (Index numbers, 2013 = 100)**Figure 2: Estimated elasticity data**

	'Fast fashion'	Ethical fashion
Income elasticity of demand	+0.6	+1.4
Price elasticity of demand	-1.3	-0.8

Figure 3: Predicted changes in income levels

	UK	USA	Europe
2019	+2.5%	+4.0%	+3.2%
2020	+2.0%	+3.5%	+3.0%

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This question is based on the case study: Slow Fashion

AS Paper 2, June 2019 insert. Printed in full on the pages just before this one (from page 29).

< CASE STUDY

3

0 3

Explain how Rana Fashion's ownership structure helps the business to achieve its objectives.

[3 marks]*Do not write
outside the
box*

Extra space

3

Turn over for the next question**Turn over ►**

0 3

IB/M/Jun19/7131/2



7

Section BAnswer **all** questions in this section.Do not write
outside the
box

- 1 1** The following data applies to a business.

Price of product	£5
Variable cost per unit	£3
Fixed costs	£30 000
Number of sales of product	22 000

Calculate the margin of safety for the business.

[3 marks]

3

- 1 2** Explain **one** factor that will cause the share price of a public limited company to increase.

[3 marks]

3

Turn over for the next question**Turn over ►**

2

Answer **all** questions in the spaces provided.Do not write
outside the
box

0 1

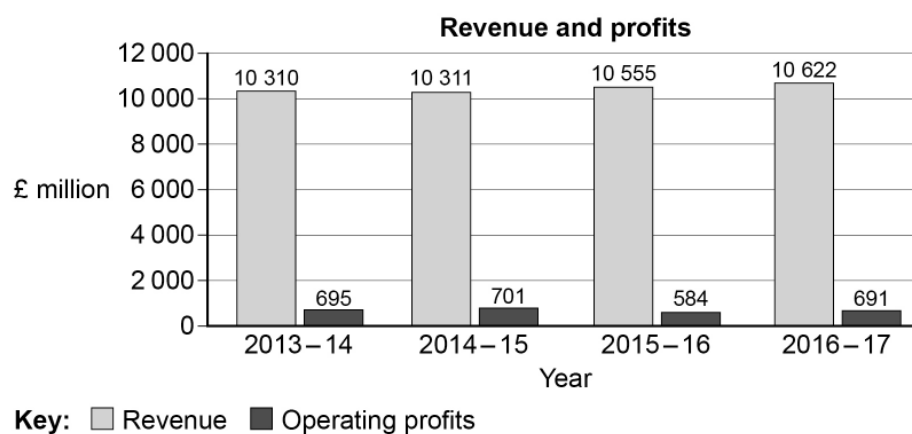
Marks and Spencer plc is one of the UK's leading retailers. It provides its own-brand food, clothing and home products in 1433 stores worldwide and online.

Appendix A Extracts from Marks and Spencer plc's published financial accounts

Balance sheet as at 1 April 2017

	£ million
Assets	
Non-current assets	6 569
Current assets	1 723
Liabilities	
Current liabilities	2 368
Non-current liabilities	2 774
Net assets	3 150
Equity	
Total equity	3 150

Appendix B Marks and Spencer plc's revenue and operating profit 2013–14 to 2016–17



0 2

IB/M/Jun18/7132/2



3

Appendix C Marks and Spencer plc customer data for financial year ending 1 April 2017Do not write
outside the
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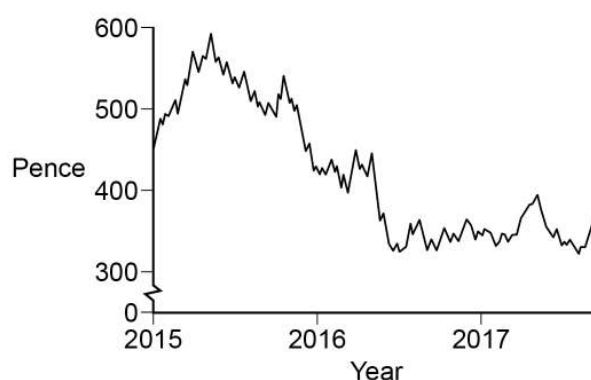
	Total number of customers	Percentage change on previous year	Average number of times a year a customer buys from Marks & Spencer	Percentage change on previous year
Food	20.5 million	+2.0%	22.5	0%
Clothing and home	24.6 million	0%	7.2	−5.3%

Appendix D Marks and Spencer plc online data

	2016–17	Percentage change on previous year
Total online revenue	£836.3 million	+5.6%
Weekly site visits	8.3 million	+11%

Appendix E Information on Marks and Spencer plc's Board of Directors in 2017**International experience:** directors come from the following countries

China Germany Hong Kong India Japan Italy
 UK Spain Netherlands Poland South Africa USA

Gender diversity: 70% of directors are male, 30% female**Industry sector experience of directors:** retail 90%, consumer 100%, finance 60%, e-commerce and technology 40%**Appendix F** Marks and Spencer plc's share price

Turn over ►



IB/M/Jun18/7132/2



4

0 1 . 1

Explain, with an example, what is meant by non-current assets.

[2 marks]

Do not write
outside the
box

2

0 1 . 2

Explain **one** possible reason why the share price of Marks and Spencer plc fell between mid-2015 and the end of 2017.

[3 marks]

3



0 4

IB/M/Jun18/7132/2



Answer **all** questions in the spaces provided.

Do not write
outside the
box

0 1

Read the information below and then answer the questions that follow.

Banking on change

The UK banking industry is dominated by the 'Big 5' banks. These banks have had costly networks of physical branches. Recently they have closed many branches, particularly in rural areas.

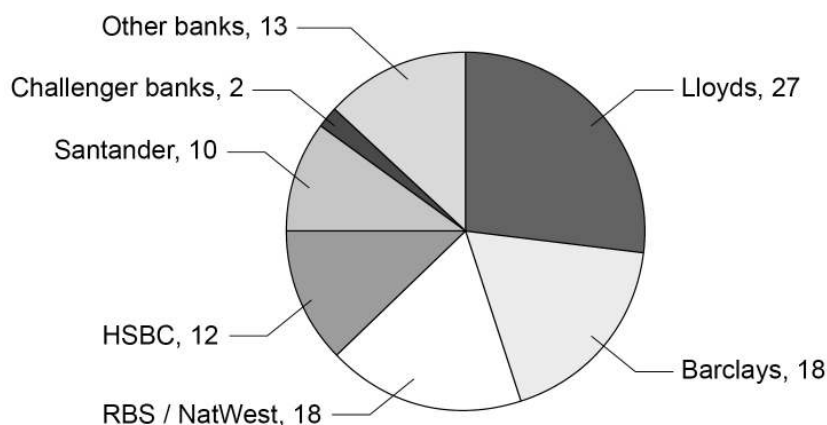
New technology and changes to government rules have opened the market to competition from relatively new entrants called 'challengers'. Challenger banks target a niche and aim to provide better customer service.

Metro Bank, like other challengers, has grown fast, but unfortunately it had to declare losses after a major accounting error in early 2019.

Appendix A Examples of types of challenger bank

Bank(s)	Type of service
Monzo, Starling	Fully online bank (this type includes 90% of challengers)
Tesco, M&S	Bank linked to retailer brand
Metro Bank	City branches open 12 hours a day

Appendix B Market share of banks in UK, 2019 (%)



Note: The 'Big 5' banks are Lloyds, Barclays, RBS/NatWest, HSBC, Santander



0 2

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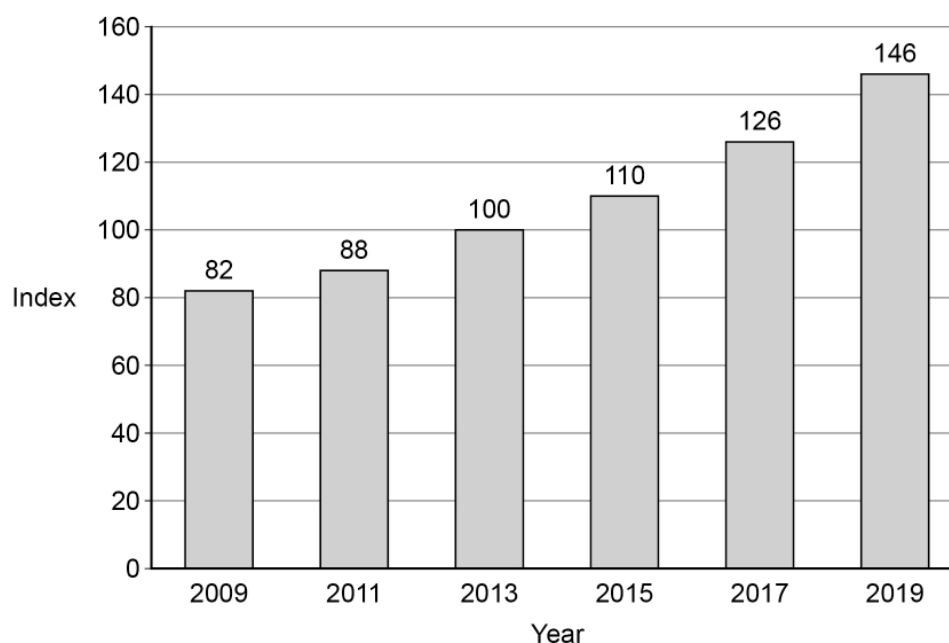
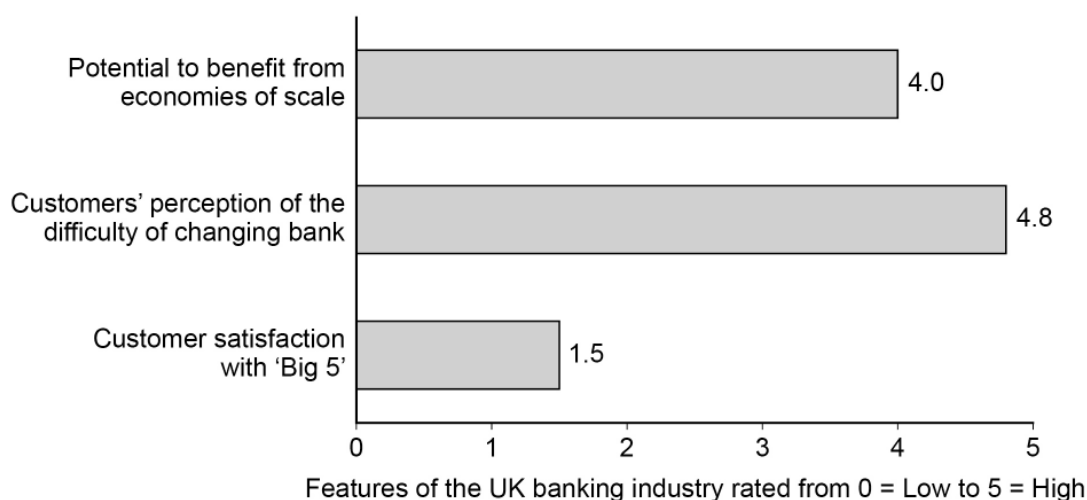
3

Appendix C Selected share price and market capitalisation information

	22 February 2019	6 March 2020
Metro Bank share price (pence)	1430.0	128.0
Metro Bank market capitalisation (£)	N/A	218.8m
Barclays Bank market capitalisation (£)	N/A	16 850m

Do not write
outside the
box**Appendix D People using online banking (2009–2019)**

(Index: base year 2013)

**Appendix E Analysis of UK banking industry (2019)**

Turn over ►



0 3

IB/G/Jun21/7132/2



4

0 1 . 1

Using the data in **Appendix C**, calculate how many shares Metro Bank plc had issued, as of 6 March 2020.

[3 marks]

Do not write
outside the
box

3

0 1 . 2

Using the data in **Appendix D**, calculate the percentage change in the number of people using online banking from 2009 to 2019.

[2 marks]

2

0 1 . 3

Explain **one** possible reason for the change in the share price of Metro Bank plc shown in **Appendix C**.

[4 marks]

4

0 4

IB/G/Jun21/7132/2



Case study: G-Free (AS Paper 2, June 2017 insert)

The full case study for O2 (4 marks), which follows on the next pages. Read it before answering.

Source 1

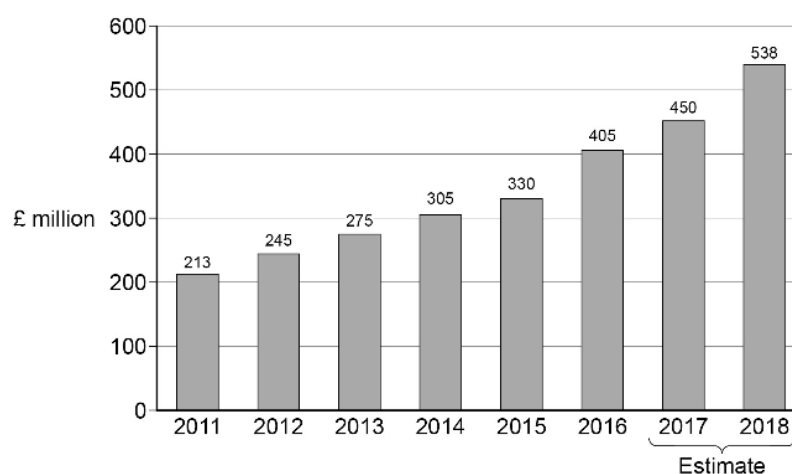
G-Free Ltd

Background

The UK market for gluten-free food is growing rapidly (see **Figure 1**). This rising demand is caused by three factors:

- greater awareness of food allergies
- some consumers believing that these foods are healthier
- the endorsement of this type of food as a 'lifestyle choice' by celebrities.

Figure 1: UK sales of gluten-free food (£ million)



The price of gluten-free food is up to 300% higher than similar products that contain gluten. This is due to the high costs of specialist ingredients, limited competition in the market, and price inelastic demand.

In 2004 chef, Stephanie Morris, started to develop gluten-free bread recipes for her son who had a severe food allergy. This bread was much better than that available in shops and she began to investigate the possibility of starting a small scale business. Initially, as a sole trader, she sold small batches of loaves in local food markets where it was well received.

In 2005 Stephanie invested a large part of her savings and left her secure job as a chef to start a bakery in a small factory. This decision involved a large opportunity cost for Stephanie, but she was optimistic that it could be worth the large risk. She found four investors to join her as co-directors of a private limited company: *G-Free Ltd*, as she was advised that limited liability would be useful. The other directors shared Stephanie's passion for the product, and had experience in manufacturing and retail distribution within the food sector.

The G-Free Ltd brand of gluten-free bread was launched in UK supermarkets in 2007 and received favourable coverage in health magazines. By 2009 it was established in the niche market of gluten-free bread and quickly became the market leader.

At first G-Free Ltd sourced ingredients from four suppliers who had specialist knowledge of the market. G-Free Ltd was a major customer for each of the suppliers and a close business relationship developed with them. The suppliers offered high-quality ingredients and flexible deliveries, but were not the largest or cheapest available.



The original small factory was described as being run using a team management approach on the Blake Mouton grid. The factory grew steadily to employ over 100 staff and in 2012 it received a regional award as being the best medium-sized business to work for. At the 'award ceremony' the judges commented favourably on: 30

- the high level of employee engagement
- low labour turnover
- the willingness of employees to work flexibly.

Continued growth

Success with gluten-free bread led G-Free Ltd to develop a wider range of products from cakes and biscuits to croissants and crumpets – all gluten-free and many were developed from employee suggestions. In 2014 the company invested heavily in two new large bakeries. The existing suppliers could not offer the range or volumes now needed by G-Free Ltd. Its new products and increased scale meant that G-Free Ltd required more ingredients from a rising number of suppliers. 35 40

Costs associated with this expansion were seen as the reason for the business not turning sales growth into profit.

In 2015 G-Free Ltd experienced a serious problem in its operations. Some products were found to contain traces of gluten. Flour from one of its new suppliers was contaminated. G-Free Ltd acted swiftly to withdraw the products – mindful of the importance of maintaining the trust of its customers and reviewed its quality control systems. 45

The continued growth of this market has recently attracted larger firms. Heinz, Nestlé and Warburtons have each launched their own gluten-free ranges. These firms have lower unit costs due to larger scale and the use of more technologically advanced systems. They also benefit from strong brand images from their other products that sell in mass markets; this has helped them enter the gluten-free niche. 50

The Operations Manager of G-Free Ltd believes that the company must react to this threat by reviewing its optimum resource mix, particularly as labour costs at G-Free Ltd are rising. The company plan a move towards a lean production system that will be more capital intensive. It will also aim to improve operational performance by reducing the number of suppliers it works with from 28 to 14. 55

The plan will see a reduction in staffing at the factories. This is opposed by the Human Resources Manager who highlights that many of the staff have stayed loyal to the company for many years.

The plan will be completed by late 2018 at a cost of £28m. The Finance Manager suggests the company fund this, and further growth, by becoming a public limited company. However, the founder, Stephanie Morris, sees herself and the original directors as key people to help ensure that the business stays true to its original aims and feels this may be threatened if the ownership is changed in this way. 60

Turn over for Figure 2 and Figure 3



Figure 2: Selected from G-Free Ltd Income Statements

	2015	2016	2017	2019 (est.)
Turnover £m	42.0	51.0	54.5	65.6
Gross profit £m	14.5	21.5	24.1	29.0
Gross profit margin (%)	34.5		44.2	44.2
Expenses £m	16.1	18.2	21.3	18.7
Operating profit/loss £m	-1.6	3.3	2.8	10.3
Operating profit margin (%)	-3.8	6.5	5.1	15.7

Figure 3: Selected data for G-Free Ltd

	2015	2016	2017	2019 (est.)
Number of Employees	452	510	525	440
Total Employee Costs (£m)	9.8	11.2	12.0	11.5
Average Cost per Employee (£)	21 681	21 960	22 857	26 136

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This question is based on the case study: G-Free

AS Paper 2, June 2017 insert. Printed in full on the pages just before this one (from page 40).

< CASE STUDY

3

Do not write
outside the
box

0 2

Explain how setting up as a private limited company in 2005 helped reduce Stephanie's risks.

[4 marks]

Extra space

4

Turn over for the next question



0 3

Turn over ►

IB/G/Jun17/7131/2



13

A business wants to become more efficient.

Explain **one** impact on the efficiency of this business if it increased the span of control of its managers.

[4 marks]

Do not write
outside the
box

4

14

The following data applies to a business on 31 December 2024 when it pays its annual dividend.

	£
Market capitalisation	23 552 000
Share price	9.20
Dividend per share	0.20

Calculate the value of the total dividend paid by the business on 31 December 2024.

[4 marks]

4

Turn over ►



2

Answer **all** questions in the spaces provided.Do not write
outside the
box

0 1

Read the information below and then answer the questions that follow.

Banking on change

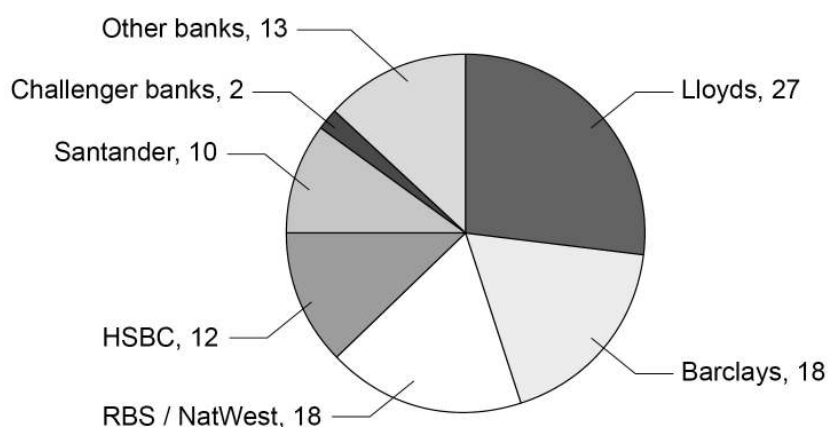
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0 2

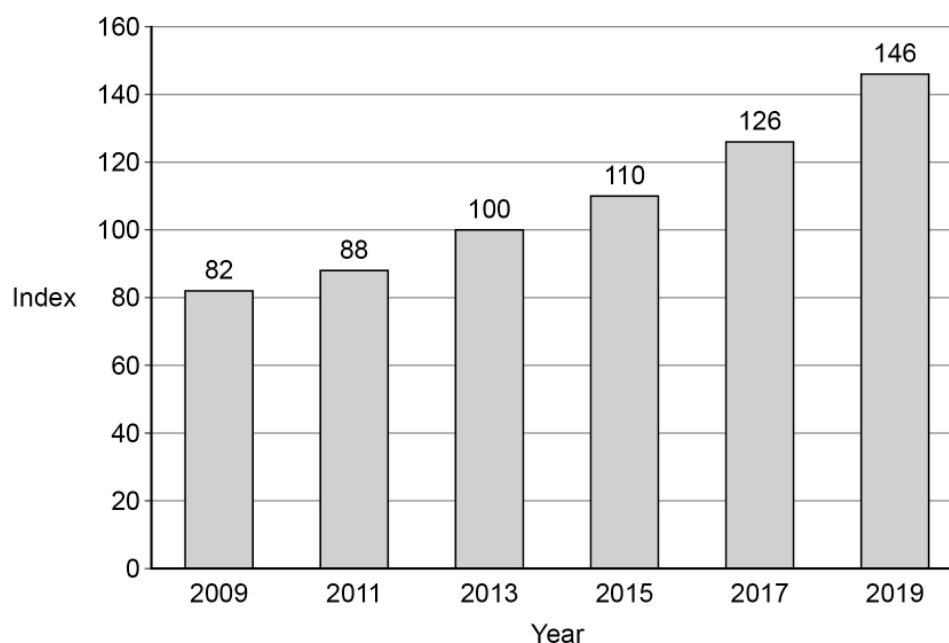
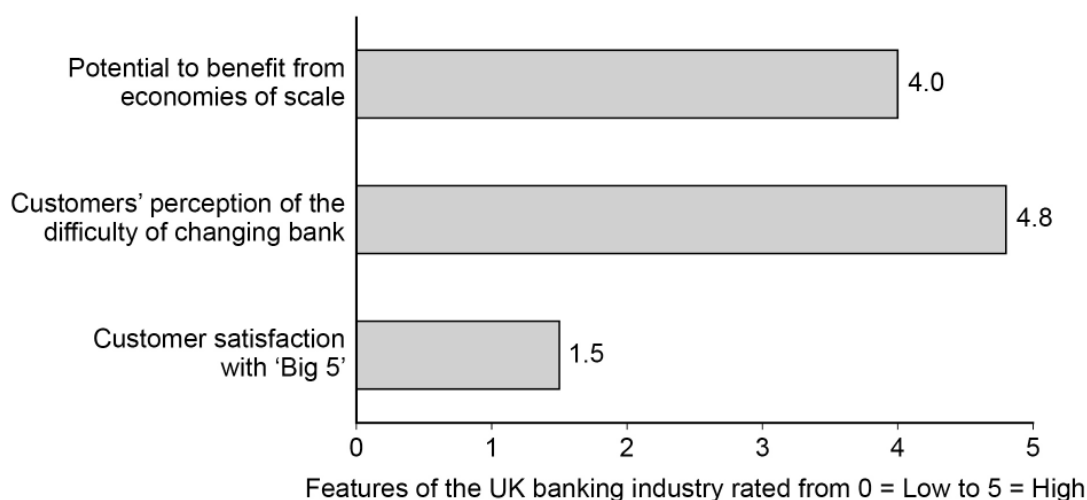
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3

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Do not write
outside the
box**Appendix D People using online banking (2009–2019)**
(Index: base year 2013)**Appendix E Analysis of UK banking industry (2019)**

Turn over ►



0 3

IB/G/Jun21/7132/2



4

Do not write
outside the
box

0 1 . 1

Using the data in **Appendix C**, calculate how many shares Metro Bank plc had issued, as of 6 March 2020.

[3 marks]

3

0 1 . 2

Using the data in **Appendix D**, calculate the percentage change in the number of people using online banking from 2009 to 2019.

[2 marks]

2

0 1 . 3

Explain **one** possible reason for the change in the share price of Metro Bank plc shown in **Appendix C**.

[4 marks]

4

0 4

IB/G/Jun21/7132/2



0 2

Read the information below and then answer the questions that follow.

Do not write
outside the
box**Ocado venture with M&S**

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M&S funded its part of the £1.5bn venture by selling £600m of shares to existing shareholders and by cutting shareholder dividends by 40%.

M&S stated that it had always believed M&S branded food should be available online and combining with Ocado was a 'win-win' situation that would drive long-term growth of both businesses.

Following the announcement of the venture, Ocado's share price rose by 3%.

The launch of the venture followed over a year of hard work and required senior managers from both businesses to work together to make it happen.

0 2 . 1

What is meant by the term shareholder dividend?

[2 marks]

2

0 2 . 2

Explain why the Ocado share price rose following the announcement of the venture.

[4 marks]

Turn over ►

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02.3

With reference to Maslow’s theory, analyse the possible impact of this venture on the motivation of senior managers of the two businesses.

[9 marks]

9



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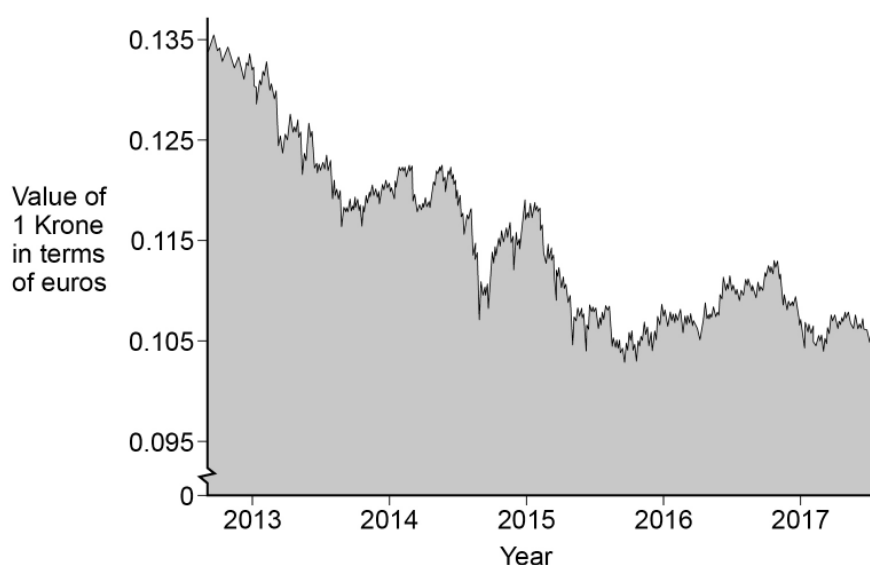
Read the information below and then answer the questions that follow.

Do not write
outside the
box**Lego**

The Lego Group is one of the largest manufacturers and retailers of play material in the world. It is a private limited company based in Denmark that is wholly owned by the Kristiansen family. The company's product range includes Lego, Lego Duplo, Lego Star Wars and Lego Friends.

Lego has been investing heavily in recent years; this has reduced the funds available for dividends. It is building new facilities in China and Mexico as part of its strategy to locate production nearer its markets. The company also invests significantly in attempts to spot consumer trends through market research and in new product development. Each year, new product launches account for approximately 60% of the company's sales.

The company's profits are calculated in the Danish currency, the Krone. Given that it is a global business selling in over 130 countries and buying resources from around the world, the company's profits depend partly on exchange rates. A significant proportion of its sales are in Europe.



The company's mission statement is to 'Inspire and develop the builders of tomorrow'. Its culture is based on openness, trust and its core values of 'Creativity, Imagination, Fun, Learning, Quality and Care'. Lego's managers say that its continued success is made possible by the culture of the business and that it is important to take actions to help ensure employees share this culture.



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Read the information below and then answer the questions that follow.

Do not write
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box**WeRide plc**

WeRide (WR) is a taxi business. It has an app that allows its passengers to find and book the nearest driver themselves. WR has grown quickly and its service is now available in over 400 cities in 60 countries. It employs its taxi drivers on flexible employment contracts.

Stricter laws are threatening WR's growth in the taxi market in some locations. For example, several cities have:

- imposed limits on the number of new licences for all taxis in order to reduce congestion and pollution
- banned WR because of concerns that its vehicles do not meet new safety regulations.

In 2018, WR announced a change to its future strategy. Instead of trying to grow its taxi business further, WR intends to invest several million pounds in developing a rental service for electric bicycles. This will be delivered through its app.

WR's Chief Executive said that individual methods of transport, such as electric bicycles, were better suited to travelling around cities than cars these days. She recognises that the move into the rental of electric bicycles might damage short-term profits, but thinks it is the right long-term strategy for the business.

Although the profit margin on an electric bicycle ride will be less than a taxi ride, WR's Chief Executive believes that the profits from electric bicycles will eventually be higher than from taxis. However, some investors are concerned about the impact on dividends of the decision to move into electric bicycles.



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WR has made a strategic decision to move into electric bicycle rentals.

Analyse the possible impact of this on the market capitalisation of the company.

[9 marks]

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Read the information below and then answer the questions that follow.

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Bell Ltd

Bell Ltd is a UK-based food manufacturer with 27 branded products in three main markets:

- sweets
- snacks
- drinks.

The company has been very successful over many years, increasing its market share in each market. It has responded to market changes by investing in the development of new products such as low-sugar and vegetarian ranges. It monitors the sales and costs associated with each of its brands.

100% of shares in Bell Ltd are owned by four members of the Bell family who also have management roles in the business. The owners feel long-term strategic decision making at the company is more effective than if it was a public limited company.

Bell Ltd actively manages the trade credit offered to retailers who buy its products, such as chasing any overdue payments and minimising the period of credit it offers to them. By building long-term relationships with suppliers, it has secured favourable credit terms from them.

Speckles is produced by Bell Ltd and used to be a leading brand of sweets in the UK. In terms of the Boston Matrix, *Speckles* is now a 'dog'. It was recently announced that *Speckles* would be discontinued. A social media campaign against this decision claimed that *Speckles* was an iconic brand from people's childhoods and should be saved.

Table 1 Financial data for the *Speckles* brand

Year	2019	2020
Sales revenue (£'000)	40	20
Cost of sales (£'000)	25	16
Gross profit (£'000)	15	4



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Analyse how the ownership structure of Bell Ltd might have contributed to the success of its strategic decision making.

[9 marks]

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Case study: Sunport PLC (A Level Paper 3, November 2020 insert)

The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

Background

Sunport PLC is a multinational company, manufacturing and selling various consumer goods, focused on household cleaning, personal care and foods. The business has manufacturing facilities in 85 countries and it sells in nearly 200 international markets, with its Head Office in the UK. The business has seen great success under Chief Executive Martin Smith. This included fighting off a takeover bid from a major rival. Success was recognised with substantial bonus payments to the senior managers in the form of shares in the business.

5

A socially responsible PLC

During his 10 years in charge, Martin committed the business to a socially responsible approach. He championed the need to act responsibly to all stakeholder groups, arguing that forming effective long-term relationships would increase profits. Martin was particularly keen to encourage relationships with suppliers who shared Sunport PLC's values. This allowed a joint approach to new product development and reliable deliveries from loyal suppliers.

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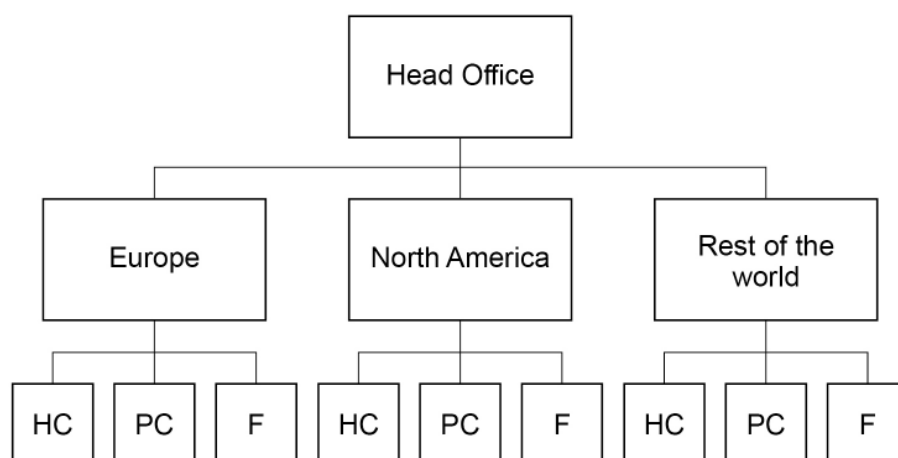
Some shareholders questioned Martin's approach, claiming he spent more time attending conferences about climate change than increasing profit for the business. Although dividend payments fluctuated, the company's share price rose consistently. Recent financial results are shown in **Appendix A**.

15

Organisational structure

The company's organisational structure is split into three regions. Each of these regions is then split according to three product-based divisions of Household Cleaning (HC), Personal Care (PC) and Food (F).

20



This structure is designed to allow regional variations to be addressed as the company's market research (see **Appendix B**) has shown major differences between the global regions. Martin's leadership style involved delegating decision-making to a local level. This allowed staff, within each region, to select the right suppliers and develop their own marketing mix. Head Office has always provided a clear mission for the company as a whole, allowing Martin to spread his vision of a socially responsible business throughout the organisation.

25



Balanced Scorecard

The company's use of Kaplan and Norton's Balanced Scorecard has been credited with contributing to its success. The performance of every business division is assessed from four perspectives (see **Appendix D**). This has allowed the business to avoid short-termism in its approach to decision-making.

30

A new boss

Martin Smith retired at the end of 2019. He has been replaced by Elaine Filer, Sunport PLC's former Chief Finance Officer. Elaine has a reputation as a leader who makes decisions herself and then tells managers what to do. She is expected to drive through a strategic change focused on increasing profit margins throughout the business. Her view is that personal care is the most successful division in Europe. Elaine wants every division in the business to achieve an operating profit margin of 12%. This should help to please a small group of unhappy shareholders who are concerned that the company's returns could be higher if the senior managers prioritised profit over other social responsibilities.

35

40

A strategy for the future

Although the company is not expected to abandon its socially responsible approach, Elaine has announced her intention to introduce cost reduction measures including:

- centralising decision-making at Head Office, which would remove some duplicated activities, such as the selection of suppliers
- changing to cheaper suppliers
- reducing spending on initiatives designed to improve the company's environmental performance, including abandoning the company's current aim of only using recyclable materials in its packaging.

45

Appendix A Sunport PLC selected financial results

	2016	2017	2018	2019
Sales turnover (£bn)	48	51	52	54
Operating profit (£bn)	4.6	4.5	4.8	5.1

Average operating profit margin of major rivals in 2019 = 12%



Appendix B Sunport PLC market research data on food buying in various regions (2020)

	Three most important issues for food shoppers			Index of Sunport PLC's food prices (Europe = 100)
	First	Second	Third	
Europe	Taste	Recyclable packaging	Value for money	100
North America	Branding	Speed of preparation	Taste	118
Rest of the world	Value for money	Taste	Branding	84

Appendix C Quotes from a recent article on the global food industry in a business magazine

'food manufacturers who have centralised manufacturing facilities have found any economies of scale in production are cancelled out by increased transport costs'

'transporting food products long distances is very expensive as products can be bulky, fragile, perishable or require refrigeration'

Appendix D Selected data for Sunport PLC – European region, 2019

Perspective	Measure	Household cleaning	Personal care	Food
Financial	Operating profit margin (%)	9.7	12.2	8.8
Learning and growth	Staff retention (%)	88	74	76
	% of employees who are proud to work for Sunport PLC	90	65	85
Internal processes	% of recyclable materials used in packaging	100	55	85
	New products in development	12	10	12
Customers	% of customers who would recommend Sunport PLC products to a friend	90	80	75

END OF SOURCE

This question is based on the case study: Sunport PLC

A Level Paper 3, November 2020 insert. Printed in full on the pages just before this one (from page 58).

< CASE STUDY

2

Answer **all** questions.

Read the **case study** in the **Insert**.

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Analyse the benefits to stakeholders of the rise in the share price of Sunport PLC.

[12 marks]



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Fit Gym plc

Eamon is Chief Executive of a large gym chain called Fit Gym plc. Eamon established the business in 2008, aged 30. He is passionate about people getting fit and providing a great gym experience for customers. Eamon has £45 million in personal savings.

Eamon's personal objectives are to:

- continue to develop the premium image of Fit Gym
- work within the fitness industry for at least the next decade.

The market for gym membership is growing rapidly. Fit Gym operates premium gyms based in city centres; they are open 8 am to 6 pm every day of the week. Fit Gym's target market is city workers, who work at offices near the gym. Its busiest hours tend to be around the start and finish of the office working day.

Fit Gym's customers are not price sensitive but expect to have easy access to the equipment. In recent weeks, capacity has been a problem as customers have complained about growing queues to use the gym equipment at busy times. Compared to rival gyms, Fit Gym has double the level of staffing to maintain a high level of customer service. Most staff are paid by the hour; the hourly pay is high for the industry.

Fit Gym became a public limited company in 2016. It has 100 million shares issued. Eamon retained 10% ownership. The current share price is 50p.

Table 2 Data comparing Fit Gym to competitors in 2020

	Fit Gym	Average for competitor gyms
Monthly membership price	£60	£35
Opening hours per week	70	104
Customer satisfaction rating on gym review website	92%	78%
Staff costs	55% of total costs	30% of total costs

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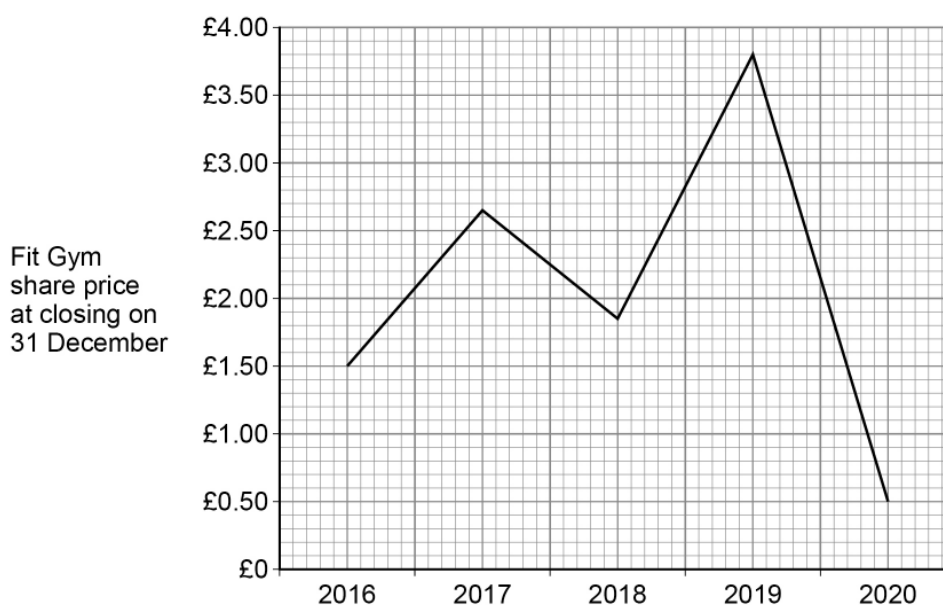
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Figure 2 Fit Gym share price 2016–2020



Eamon has consistently argued for high levels of investment in staff, premium facilities and top-quality equipment; this has led to low dividends. Most of the other shareholders now want to cut costs to improve profitability. The shareholders have asked Eamon to cut staffing levels and sell off less profitable gyms. They want Eamon to relocate many of the remaining gyms to cheaper sites. They also want increases in dividends and have threatened to replace Eamon as Chief Executive if this does not happen.

Meanwhile, a highly profitable American gym chain is considering expanding into the UK market. It has a reputation for buying out rival chains and cutting costs.

17.1 To increase capacity, Eamon is considering increasing the opening hours of its gyms.

Analyse how Fit Gym might be affected if it made this decision.

[9 marks]

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Eamon is considering using his personal savings to buy out the shareholders in Fit Gym plc to convert it back to a private limited company.

To what extent do you think this would be a good decision for Eamon?

[16 marks]



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16

END OF QUESTIONS



Section CAnswer **all** questions in this section.Do not write
outside the
box**1 6****Paul's Puzzle Business**

Paul retired from his full-time job in 2018 and started a small business as a sole trader. The most Paul wanted to work was two days a week. He produces wooden puzzles which are sold to two large retailers. Paul's main aim when starting was to make an operating profit of £20 000 a year to add to his pension. Since starting, Paul has more than doubled this profit figure. He has worked more than expected but has really enjoyed it.

Trends for the puzzles change quickly. Paul can respond immediately by altering the designs produced. Paul provides the puzzles to the retailers but receives payment three months later. He makes a large gross profit margin. Paul worries about having to pay his supplier for all material costs even if puzzles do not sell. Last month, sales hit record figures and now the retailers owe Paul a large amount of money.

Paul's supplier usually sells to him in bulk. The supplier has offered an excellent one-off half price deal on materials for orders by the end of this month. Paul is keen to take up the offer. However, he does not have enough cash available to do this. Paul's bank manager advised him that interest rates on loans would be 6% and are rising very rapidly. Another lender said they could arrange a debt factoring agreement at 85% of any sales invoices.

Recently, Paul has been contacted by an investor, Holly. Holly has no experience in this market but is impressed with Paul's business. She believes she can help him to expand but insists that Paul's business would have to be turned into a private limited company. Paul would maintain a 40% share and she would own the rest. Holly would buy new machinery to help Paul make more items. Holly has promised she can increase profits by 300% but she would make all the decisions. This would allow Paul to go back to working two days a week.



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Recommend whether Paul should take the investment offered for expansion by Holly or remain as a sole trader.

Justify your answer.

[16 marks]

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16

Section C

Answer **either** Question 21 **or** Question 22.Do not write
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Shade the lozenge below to indicate which optional question you have answered.

Question **2 1** ☐Question **2 2** ☐CORRECT METHOD ☒

WRONG METHODS

**2 1**

'Limited liability benefits all stakeholders of a public limited company.'

Do you agree? Justify your view.

[25 marks]**OR****2 2**

'The growth stage is the most challenging stage of the product life cycle for a business when managing its human resource flow.'

Do you agree? Justify your view.

[25 marks]

UNDERSTANDING THAT BUSINESSES OPERATE WITHIN AN EXTERNAL ENVIRONMENT

8

1 0

Which of the following statements is true?

A An increase in interest rates is likely to lead to more demand for houses.

☐

B The population size is a demographic factor in the external environment.

☐

C A soft approach to human resource management is likely to involve a low level of delegation.

☐

D A mission will have a more specific target than a business objective.

☐**[1 mark]***Do not write
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9

Section BAnswer **all** questions in this section.*Do not write
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- 1 1** A manager of a business wants to increase its revenue. She estimates the price elasticity of demand for its products is -0.2 . Explain whether the manager should decrease or increase prices.

[3 marks]

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Turn over for the next question**Turn over ►**

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Xantus produces luxury cars.

Which of the following is an external factor that would increase demand for Xantus' cars?

[1 mark]**A** An improvement in the efficiency of production.☐**B** A marketing campaign that raises awareness of the brand.☐**C** A reduction in interest rates.☐**D** An increase in competition in the market.☐**0 9**

The table below shows financial information for a business.

	£000s
Total revenue	529
Cost of sales	192
Corporation tax	7
Finance costs	18
Operating expenses (overheads)	285

What is the business' profit for the year?

[1 mark]**A** £27 000☐**B** £34 000☐**C** £52 000☐**D** £237 000☐

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In a decision tree the net gain of a decision is the:

[1 mark]

- A** average pay-off of the outcomes.
- B** expected value of the best decision minus the expected value of the next best decision.
- C** expected value minus the initial cost.
- D** total pay-off of the outcomes minus the initial cost.

☐☐☐☐

0 4

Which one of these changes is most likely to lead to higher costs and higher demand for a product?

[1 mark]

- A** An increase in the rate of inflation
- B** A rise in interest rates
- C** Introducing fair trade principles
- D** More competition

☐☐☐☐

Turn over for the next question

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Section B

Answer **all** questions in this section.

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1	1	A small theatre business opens at the weekends.
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This is the data recorded for one weekend.

	Saturday	Sunday
Number of seats sold	850	980
Capacity of theatre (number of seats)	1000	1000

Calculate the capacity utilisation for the weekend above.

[3 marks]

%

1 2 Explain **one** way an increase in competition could lead to fixed costs rising for a business. **[3 marks]**



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Based on the data in **Figure 4**, calculate the Net Present Value of the investment.**[4 marks]**

Net Present Value _____

Workings _____

4

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A fashion chain decides to switch to 'fair trade' clothing in its shops. Explain **one** possible consequence for the fashion chain.**[4 marks]**

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4



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Explain how the use of break-even analysis might help an entrepreneur make decisions about the start-up of a new business.

[6 marks]

[illegible]

Extra space

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Analyse **one** effect of an ageing population on the level of profits of a private hospital business.

[5 marks]

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Turn over for Section C

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Section C

Answer **all** questions in this section.

16

Ondata Bicycles Ltd

Ondata Bicycles Ltd manufactures high-performance bicycles that it sells in the UK through its own website and a network of 30 independent bike shops. Ondata Bicycles Ltd focuses on a niche market selling bicycles for cyclists who value a fast and lightweight product. Ondata Bicycles Ltd’s operating profit margin is 40%. The income elasticity of demand for its high-performance bicycles is +3.

Ondata Bicycles Ltd sponsors a leading British cycling team. The company believes that positioning its products as being suitable for use in professional cycling races is an effective way of promoting the bicycles to its target market. Its bicycles sell for at least £3000 each.

Ondata Bicycles Ltd purchased its factory using a loan with a variable interest rate that was 3.5% when the loan was agreed. The amount still owed on the loan is currently £1.1 million and must be repaid in full by 2040. Capacity utilisation at the factory is 55%.

Incomes in the UK are expected to fall in the next couple of years. Ondata Bicycles Ltd is considering developing a lower priced range of bicycles to target the mass market. To reach its new target customers, Ondata Bicycles Ltd thinks it would need to sell these lower price bicycles through Bayes, the country’s largest cycling retailer. Bayes has 400 stores and 25% market share of bicycle sales in the UK. Bayes would keep 50% of the selling price, in comparison to the 30% kept by the current independent stores used by Ondata Bicycles Ltd.

Table 1 Ondata Bicycles Ltd’s forecast financial market data

	2026	2027	2028
Annual change in size of UK mass market for bicycles	+ 0.1%	+ 0.8%	+ 2.5%
Average selling price of a bicycle in the mass market (£)	545	523	507
Interest rate (%)	5.25	6.5	7.5

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16.1

Analyse how the interest rate changes forecast in **Table 1** are likely to affect Ondata Bicycles Ltd.

[9 marks]

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Richer Sounds

Richer Sounds is a highly successful hi-fi, home cinema and TV retail specialist based in the UK. It sells through its 53 stores and online. It has won several awards for its high level of sales and for its levels of customer service. Its sales are influenced by the external environment; for example, demand is said to be income elastic. Trading conditions have been difficult in recent years as consumers have been uncertain about their jobs and incomes. The increased use of digital technology in marketing and its impact on the way customers search for information and shop is a serious threat to Richer Sounds' growth. It faces competition from rivals such as Amazon and Argos who offer a much wider range of products and are investing heavily in their online operations.

Richer Sounds' mission is 'Experience Better'. Staff aim to beat its competitors by providing customers with superior:

- knowledge and expertise
- products and pricing
- customer service.

The company recruits employees based on their natural friendliness and their passion for its products. Staff are trained regularly to keep them up to date with new products. The company is committed to providing employees with secure, well-paid jobs and a stimulating working environment. Employees receive an excellent salary, good career opportunities and a number of additional benefits linked to customer satisfaction such as free massages and facials. The company's suggestion scheme offers a cash bonus of at least £5 for each idea and incentives for the best ones. It has been remarkably successful, producing on average 20 suggestions a year from each employee.

Richer Sounds has a low price strategy. If a customer finds any product cheaper elsewhere for up to seven days after purchase, Richer Sounds will charge £100 less. To enable it to pursue this approach Richer Sounds deliberately chooses 'out of the way' locations for its shops; this means its rents are lower than its competitors. It has spent nearly 40 years building relationships with suppliers, meaning it can negotiate lower prices and pass these savings on to customers.



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1 6 . **1** Analyse why the Richer Sounds approach to managing its human resources is successful in motivating its employees. You should support your answer with reference to Herzberg's hygiene **and** motivator factors.

[9 marks]

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Extra space



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1 **6** . **2** To what extent do you think the level of demand for Richer Sounds' products is determined by its external environment? Justify your view.

[16 marks]



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END OF QUESTIONS



Case study: Parkside Theatre (AS Paper 2, November 2020 insert)

The full case study for Q8 (20 marks), which follows on the next pages. Read it before answering.

Parkside Theatre

Parkside Theatre is a small independent cinema that shows films but also hosts music, comedy and drama events. It is based in a historically important town centre building built in the late 1890s. This building has been renovated using a government grant; a condition of the grant was that the style of the building was preserved. 1

The business has been owned by the Sanderson family for several generations. They are keen that the business is managed in such a way that the building's architecture is protected, but Parkside Theatre must generate a return on investment. 5

Lorna has been the general manager of the business for six years. She has full control of day-to-day management. Lorna has been working to improve the capacity utilisation of the cinema. The directors have set her a capacity utilisation target of 70%. 10

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	
Maximum capacity	400	400	-	400	400	800	800	

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

The cinema is in an area that has a small tourism industry, causing increasing attendances during the summer. There are also peaks of demand at Christmas and Easter, linked to school holidays. Incomes in the area have risen faster than the national average over the last 10 years (as shown in **Figure 2**) and are forecast to continue to do so.

Lorna has used hunches, based on intuition, in order to decide on projects, such as introducing comedy events to make greater use of the facilities. Some of these projects have been successful. 15

Part of Lorna's role is managing cash inflows and outflows. She has a financial objective of maintaining a positive cash flow.

The core cinema business is staffed by a small team of permanent employees; most are part time and have been at the business for many years. Parkside Theatre has gained praise for its staff training, winning awards in 2017 and 2018. 20

'Our Place'

Rising demand for venues hired for business meetings and conferences led Lorna to believe this could be an opportunity for Parkside Theatre. A large, unused room could be developed to create several small meeting rooms, but required investment from the owners for modernisation. The work would remove some internal historical features. 25

The board of directors of Parkside Theatre were concerned that competition was well established in the local area. They insisted that they could only support the investment if Lorna adopted a scientific decision-making process and that she presented evidence to support the project. 30



Lorna completed a range of primary and secondary market research into the demand for meeting venues. She interviewed local business managers about services they would expect. She then completed detailed analysis to support her argument. A selection of the results is included in **Figures 2** and **3**.

After studying Lorna's evidence, the directors agreed to invest what they felt was a large amount of finance. 35

In April 2019, the meeting rooms launched under the brand name 'Our Place'. The historic exterior of the building is a unique selling point and Lorna chose to set the prices using price skimming. 'Our Place' was promoted to local and regional businesses offering helpful staff, comfortable seating, catering and state-of-the-art IT facilities. 40

To operate 'Our Place' flexibly, Lorna has been unable to offer guaranteed weekly hours of work for employees, although she would have liked to do so. Training is provided during the induction of staff members to achieve high standards of customer service. Staff retention has been low for the staff delivering the 'Our Place' services during the first year, though Lorna has managed to regularly recruit new staff by focusing on the local student population. 45

Lorna recognises that the future demand for Parkside Theatre services depends on changes in the external environment but thinks her decision-making has a greater impact. She realises this may not be true for managers in all businesses.

Figure 2: Selected data from secondary research

Annual growth in income (UK) 2009–2018	1.3%
Annual growth in income (locally) 2009–2018	2.3%
Annual growth in the market for meeting venues (UK 2015–2018)	4.5%

Figure 3: Selected data from Lorna's primary research

Research based on interviews with 20 local businesses that rent meeting rooms	
Do you rent rooms more than once a month?	45% yes
How satisfied are you with local meeting venues?	20% satisfied
If choosing a meeting room, what is the most important factor?	
• Price	55%
• IT facilities	20%
• Comfort/surroundings	20%
• Staff/customer service	5%

END OF SOURCE



This question is based on the case study: Parkside Theatre

AS Paper 2, November 2020 insert. Printed in full on the pages just before this one (from page 91).

< CASE STUDY

10

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‘Decisions of managers have a bigger influence on the demand for the products of any business than changes in the external environment.’

Do you agree? Justify your view.

[20 marks]

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Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)

The full case study for Q8 (20 marks), which follows on the next pages. Read it before answering.

VeganLife Ltd

VeganLife Ltd (VL) is a manufacturer and online supplier that sells vegan female toiletries. 1
Vegan goods are made using no animal-based products. VL operates in a niche market. It
sells its products to other businesses such as supermarkets and department stores and also
directly to individual customers. As this niche market grows at a fast rate every year, VL faces a
growing threat to its market share from competitors, especially large businesses. 5

VL sources raw materials from countries around the world and it manufactures these into
products such as soap, shower gel and makeup. VL packages and then sells the products to its
customers who order through the website. VL tries to be ethical and environmentally
responsible. It uses Fairtrade suppliers often located a long way away. VL tries to keep its
waste and pollution as low as possible. 10

Figure 1 Market and VL Information

	2020
Market size	£50 million
VL market share	15%
Costs of sales for VL	£3.25 million

At the factory and warehouse there are currently two managers, two assistant managers and 30
full-time and part-time staff. The staff have their own specific job roles:

- machine operators
 - quality control supervisor
 - packaging staff
 - general cleaning and maintenance staff
 - office staff.
- 15

VL has high labour turnover compared to similar businesses. According to some staff this is
due to low pay and 'repetitive and boring' tasks. Factory and warehouse staff complain about
the high level of supervision, due to managers having narrow spans of control. Office staff say 20
they are frustrated at the lack of feedback they receive on their work, and feel under-valued.

VL has one staff member in charge of quality control. Recently there have been a large number
of quality issues with some products. The main problem is with the packaging of the products.
Some of it has split, causing products to leak. When this happens, VL has to refund customers
and/or replace its products. 25

The quality issues are causing VL to lose some loyal customers and are affecting its reputation.
The Operations Manager suggests that VL should introduce a quality assurance system to the
factory and warehouse. The system would initially cost £100 000 and would require all staff to
be trained to use it, with further training whenever the system is updated. VL knows that its
competitors use a similar system. The Operations Manager feels this is a good way to remain 30
competitive.

VL has grown quickly in a short time and has been a profitable company that has paid rising
dividends to its shareholders every year. The shareholders have made it clear they expect this
to continue. However, cash flow is a problem. Recently a large business stopped trading,



owing VL £350 000. VL often struggles to keep up with the increasing demand from customers. 35
It does not always have the cash to buy the raw materials to meet the orders, and not all of its
suppliers will sell to VL on credit. Additionally, some of its customers do not always pay on time.
VL often has to ask the bank to increase its overdraft. Currently VL is £550 000 overdrawn, and
the interest rate is set to increase.

Emma, the Managing Director, thinks the quality assurance system is a good idea, but feels 40
spending £100 000 of its profits is a risk. She believes the motivation issues amongst the staff
need addressing more urgently.

Due to changes in demographics, such as an increase in the population size of the UK and the
change in age structure, the markets for toiletries and vegan products are growing. New
products are being launched weekly and new competitors are entering the markets. Emma has 45
noticed through her own primary market research that there is a significant increase in the sales
of vegan male toiletries. She does not have any marketing qualifications but has been
collecting data from focus groups she has set up. She believes that targeting the vegan male
toiletries market is the best way to make a profit and help VL's cash flow position. From her
research she estimates that it would need a large investment for a new online advertising 50
campaign for a vegan male shower gel.

Figure 2 Financial forecast data for vegan male shower gel

Fixed costs	£15 000
Total variable costs for 1000 units	£750
Selling price	£6.75

Figure 3 Focus group responses (sample size 20) vegan male toiletries

	2017	2018
Amount spent on toiletries in last shop visit	£21	£23
Would you consider buying vegan toiletries?	Yes	Yes
How much would you be willing to spend on vegan toiletries?	£8 per item	£9 per item

END OF SOURCE



This question is based on the case study: **VeganLife Ltd**

AS Paper 2, June 2022 insert. Printed in full on the pages just before this one (from page 96).

< CASE STUDY

10

08

To what extent are demographic factors, rather than environmental factors such as recycling, likely to have a bigger impact on the future profits of **all** businesses? **[20 marks]**

Do not write
outside the
box



11

*Do not write
outside the
box*

Extra space



Turn over ►

IB/G/Jun22/7131/2



12

Do not write
outside the
box

END OF QUESTIONS

20



Question 05 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 02 · Section A objective test question

Correct answer: B

After its mission and before its financial objectives

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 01 · Section A objective test question

Correct answer: A

Statement 1 is true. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 10 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 10 · Section A objective test question

Correct answer: A

Profit is a financial target for all businesses.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2018

0	1	Use Figure 2 to calculate how many overnight stays were required for HS to break-even in 2017.
		[3 marks]

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

3 marks for correct answer of 66667

2 mark correctly selects and uses figures but an arithmetical error

1 mark if correctly defined but no other valid calculations

Correct answer:

$$\begin{aligned}
 & \frac{\text{Fixed Costs}}{\text{Contribution per unit (1)}} \\
 &= \frac{1\,300\,000}{(25.00 - 5.50)} \\
 &= \frac{1\,300\,000}{19.50} \\
 &= 66\,666.67 \\
 &= 66\,667 \text{ stays to break even (1)}
 \end{aligned}$$

0	2	Use Figure 2 to calculate the profit made by HS from hostels in 2017.
		[3 marks]

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

3 marks for correct answer of £143000

2 marks correctly selects and uses figures, but an arithmetical error, eg revenue and costs correct but subtracted incorrectly

1 mark if profit correctly defined but no valid calculations

Correct answer:

Profit = Revenue – Total Costs

2017: Revenue = 74 000 x 25.00 = £1 850 000

Total Costs = 1 300 000 + (5.50 x 74 000) = £1 707 000

Profit = £143 000

Contribution per stay = £19.50 (£25-£5.50)

£19.50 x 74,000 = £1,443,000 (total contribution)

£1,443,000 - £1,300,000 (f.costs) = £143,000

Other methods to get to correct answer are acceptable.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

12

The following data applies to a business:

Fixed costs	£1.5 million
Total costs	£6 million
Output	2 million units
Profit	£3 million

Calculate the selling price per unit.

[3 marks]

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

The demands of the question are:

- calculate the selling price per unit for the given example.

Indicative content:

Answer = £4.50 per unit (**3 marks**)

Broken down as follows:

Total revenue = £3 million + £6 million = £9 million (**1 mark**)

Selling price per item = £9 million/2 million units (**1 mark**) = £4.50 (**1 mark**)

Alternative methods can be credited.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

0	3	Explain one benefit to Hoods Ltd of having a mission statement.	[4 marks]
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Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question focus on:

- an explanation of a benefit
- of having a mission statement
- to Hoods Ltd.

Indicative content may include:

- it may attract new customers through the message in the statement, for example customers who are concerned by the environment and are looking for ethically/sustainably sourced clothing
- it may encourage existing customers to purchase more from Hoods Ltd due to having an understanding of the company's mission statement/what it stands for
- it assures the shareholders about Hoods Ltd commitment to the environment
- it could be viewed as a USP compared to competitors in the market
- it could be used in a marketing campaign to attract customers, for example focusing on the ethics/sustainability element within their marketing campaign to attract customers.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2018

0	6	How important do you think making profits is to HS? Justify your view.	[16 marks]
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Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the key demands of the question Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the question Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	A reasonable response overall that focuses on some of the demands of the question Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	A limited response overall with little focus on the demands of the question Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	1–4



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2018

The demands of the question focus on:

- a discussion of the role of profit for HS (a charitable organisation)
- a focus on a judgement related to the importance of profit for HS.

Indicative content may include:

- as a charity the organisation has specific objectives that are not necessarily profit focused (compared to, eg a plc); these drive the decision making, but need financial support to be achieved
- HS needs funds to buy/maintain and improve properties; encourage the use and appreciation of the countryside and support use by people with low incomes. Striving to make profit is therefore good to help support its mission statement
- assets (built up from past profits) can support losses in a given year (eg 2015 and 2016), but this is not sustainable in the long term so profits are needed
- whilst losses are undesirable, the lack of external shareholders means that losses for a couple of years can be accepted as the organisation can more easily take a long-term view
- in other organisations profits are distributed to owners whereas this is specifically not the case in a not for profit organisation, this will mean decision makers will stay focused on the mission statement rather than making money for its own sake.

Approaches likely to be:

Supported judgement related to the role of profit - based on prior analysis and focused on the question set will be needed for a good or excellent response. An excellent response will have clear focus on the how important profit is given the charitable nature of HS which may make it different from other organisations.



Question 03 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 03 · Section A objective test question

Correct answer: B

Statement 1 is true. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 04 · Section A objective test question

Correct answer: D

reduce the level of legal regulations required.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 01 · Section A objective test question

Correct answer: B

Statement 1 is true. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 03 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 02 · Section A objective test question

Correct answer: D

the current market price of the shares is the same as the initial share price.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 11 · Section A objective test question

Correct answer: D

Statement 1 is false. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 01 · Section A objective test question

Correct answer: D

Sole traders only

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2022

0	2	1	What is meant by the term shareholder dividend?	[2 marks]
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Marks for this question: AO1 = 2

Dividend is the reward to shareholders, the proportion of the profits allocated to shareholders. It is allocated in relation to the number of shares held.

1 mark: some understanding shown

2 marks: good understanding

0	2	2	Explain why the Ocado share price rose following the announcement of the venture.	[4 marks]
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Marks for this question: AO1 = 2, AO2 = 2

Level	The student will typically demonstrate:	Marks
3	A good response that focuses on many of the demands of the question. Reason why is explained clearly in context.	4
2	A reasonable response overall that focuses on some of the demands of the question. Good understanding of share price movements. Or some understanding with some use of case.	3–2
1	A limited response overall that focuses on a few demands of the question. Some understanding of share price movements.	1

The demands of the question are:

- To demonstrate an understanding of the meaning of 'share price'.
- To analyse the cause and process of the change in share price. Particularly in the context of the announcement of the (joint) venture.

Indicative content:

- shareholders are investors and owners of the business
- the venture was being viewed positively
- potential investors may therefore be attracted to Ocado, increasing demand for shares
- more demand (other things being equal) will lead to the rise in share price.

Allow other relevant arguments.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2019

0	3	<i>Explain how Rana Fashion's ownership structure helps the business to achieve its objectives.</i>
		[3 marks]

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

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The focus of the question is on:

How business decisions are made – who is responsible for setting objectives. In this case the clear aims of the business being ethical and environmentally focused. This core objective came from Claudia herself.

Indicative content may include:

A good response will be clearly focused on how business objectives are formed, and on the context of this case – in particular the ethical concerns that Claudia had personally, and the issues highlighted in the fast fashion model. Also setting up her own business owning 60% of shares allowed her to make decisions but ensure 40% of profits are directed to Bangladeshi charity.

A reasonable explanation is likely to be develop points with less focus, e.g. less thorough on theory or less well applied.

Understanding, e.g. of ownership or relevant point would be level 1.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2023

1	2	Explain one factor that will cause the share price of a public limited company to increase.
		[3 marks]

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

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- to be able to explain a factor affecting public limited company's share price.

Indicative content:

- a rise in the performance of a business (most likely through profits increasing) will lead to an increase in the desire to purchase those shares of a public limited company. This leads to an increase in the demand for the shares of a business, this in turn will lead to share prices rising
- a change in dividend policy by a public limited company or an increase in dividends returned to shareholders would lead to an increase for the demand the shares of that business, which in turn would lead to a rise in the price of the share
- speculation by investors expecting the future value of a business to rise (due to improved performance in the market more generally or other external factor) could lead to increased demand for shares and increased share prices.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/2 – JUNE 2018

0	1	. 1	<i>Explain, with an example, what is meant by non-current assets.</i>	[2 marks]
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Level	The candidate will typically:	Marks
2	clear understanding of non-current assets including example	2
1	some understanding of non-current assets, eg no example or just an example.	1

Possible responses:

A non-current asset is an item that provides a long term benefit (more than 12 months) to the business, eg buildings, equipment, transport.

Credit other valid lines of explanation or examples.

0	1	. 2	<i>Explain one possible reason why the share price of Marks and Spencer plc fell between mid-2015 and the end of 2017.</i>	[3 marks]
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Level	The candidate will typically:	Marks
3	well explained in context of Marks and Spencer's falling share price	3
2	some explanation of link between relevant factor and share price movement	2
1	identifies possible reason for share price fall.	1

Answers may include:

- Marks & Spencers profits have been falling and may not have been as high as expected leading investors to sell their shares and causing the share price to fall significantly (from nearly 600 pence to under 400 pence)
- returns elsewhere, eg from other retailers might have been higher leading to demand for Marks & Spencers shares falling leading to a decline in share price
- may have been concerns over future share price movement leading to sale of shares bringing price down during this period.

Credit other valid lines of argument.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

0	1	.	1	Using the data in Appendix C , calculate how many shares Metro Bank plc had issued, as of 6 March 2020.
[3 marks]				

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

$$\text{Number of shares} = \frac{\text{market capitalisation}}{\text{share price}}$$

£218.8m

128.0p

$$= \frac{218\,800\,000}{1.28}$$

= 170 937 500 shares (3 marks)

= 170.9375 M

3 marks for correct answer

2 marks for partial calculation e.g. mistake in use of £ and p in calculation

1 mark some understanding of market capitalisation/link to share price

Formula alone = **1 mark**

0	1	.	2	Using the data in Appendix D , calculate the percentage change in the number of people using online banking from 2009 to 2019.
[2 marks]				

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

2009 is 82

2019 is 146

Change is a rise of 64

$$\text{Percentage change} = \left(\frac{64}{82} \right) \times 100$$

= 78.048% OR 78.0% OR 78

2 marks for correct answer

1 mark for formula or partial calculation with an error e.g. reading from graph incorrectly

0	2	Explain how setting up as a private limited company in 2005 helped reduce Stephanie's risks.	[4 marks]
----------	----------	--	------------------

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

Level	The candidate will typically demonstrate:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	1

The focus of the question is on:

- how the choice of ownership of the business by Stephanie as a private limited company reduced her risk in 2005

Indicative content may include:

- The benefits of limited liability in protecting the owners – in particular Stephanie has invested a large part of her savings, these are at risk, but limited liability will protect the remainder of her savings and personal assets.
- Multiple owners were attracted to provide investment, but also specific expertise as they have experience in manufacturing and retail distribution. This experience may help reduce Stephanie's risk by increasing her chance of success.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2025

1 4

The following data applies to a business on 31 December 2024 when it pays its annual dividend.

	£
Market capitalisation	23 552 000
Share price	9.20
Dividend per share	0.20

Calculate the value of the total dividend paid by the business on 31 December 2024.

[4 marks]

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

The demands of the question are:

- calculate the value of the total dividend paid by the business on 31 December 2024.

Indicative content:

Correct answer = £512 000 **4 marks**

Number of shares in issue: $\frac{£23\,552\,000}{£9.20}$ **(1 mark)** = 2 560 000 **(1 mark)**

Total dividend paid: $2\,560\,000 \times £0.20$ **(1 mark)** = £512 000 **(1 mark)**

if no valid calculations: award a maximum of 1 mark for a clear demonstration of valid knowledge (e.g. through showing correct formula for market capitalisation)

alternative methods can be credited

own figure rule can be applied



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

0	1	3	Explain one possible reason for the change in the share price of Metro Bank plc shown in Appendix C .
			[4 marks]

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

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Explains one reason for the downward trend in Metro Bank's share price.	4
2	A reasonable response overall that focuses on some of the demands of the question. Explanation with little use of case or lacking clarity.	3–2
1	A limited response overall that focuses on a few demands of the question. Some understanding of share price.	1

The demands of the question are:

- Show an understanding of the causes of share price changes.
- Explains one reason for a change in share price.
- Use the information presented.

Indicative content:

- Share price is the market price of shares in a plc on the stock exchange.
- The price is determined by the supply of shares from people wanting to sell and the demand from people wanting to buy shares in that business.
- Metro Bank has been said to have had an accounting error in early 2019.
- Explanation linking to how supply and/or demand for shares will be affected – less attractive for potential investors. Current investors may sell shares as returns lower.

Allow other relevant arguments.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2022

0	2	1	What is meant by the term shareholder dividend?	[2 marks]
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Marks for this question: AO1 = 2

Dividend is the reward to shareholders, the proportion of the profits allocated to shareholders. It is allocated in relation to the number of shares held.

1 mark: some understanding shown

2 marks: good understanding

0	2	2	Explain why the Ocado share price rose following the announcement of the venture.	[4 marks]
---	---	---	---	-----------

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

Level	The student will typically demonstrate:	Marks
3	A good response that focuses on many of the demands of the question. Reason why is explained clearly in context.	4
2	A reasonable response overall that focuses on some of the demands of the question. Good understanding of share price movements. Or some understanding with some use of case.	3–2
1	A limited response overall that focuses on a few demands of the question. Some understanding of share price movements.	1

The demands of the question are:

- To demonstrate an understanding of the meaning of 'share price'.
- To analyse the cause and process of the change in share price. Particularly in the context of the announcement of the (joint) venture.

Indicative content:

- shareholders are investors and owners of the business
- the venture was being viewed positively
- potential investors may therefore be attracted to Ocado, increasing demand for shares
- more demand (other things being equal) will lead to the rise in share price.

Allow other relevant arguments.

MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/2 – JUNE 2018

0	2	1	<i>Lego is a private limited company. Analyse how the decisions its managers make might be different if it was a public limited company.</i>
			[9 marks]

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

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	7-9
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding or relatively few issues in the question - demonstrates analysis which is developed and is applied to the context.	4-6
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1-3

The demands of the question focus on:

- the impact of Lego being a private limited company as opposed to a public limited company
- management decisions.

Possible responses:

- public limited company likely to have outside investors often financial institutions. These are likely to want financial returns to reward their owners. This can put pressure on managers of plc to make short term rewards may be more short termist
- Lego is investing heavily in the future and incurring costs, eg for new production facilities and new products. The family owners may be willing to do this and wait for long term rewards. In a plc there may be pressure from investors to earn profits rather than invest for the future- they may not still be shareholders in the future so may want returns now
- may affect other decisions, eg may invest less in HR (such as training and development) as taking a shorter term view.

Level 3: Clear link between ownership structure and impact on decisions of managers

Level 2: Understanding of ownership form and decision(s) that are made but link not clear

Level 1: Understanding of ownership forms; no link made with decisions made

Credit other valid lines of analysis.



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2019

0	2	1	WR has made a strategic decision to move into electric bicycle rentals. Analyse the possible impact of this on the market capitalisation of the company. [9 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed and is applied to the context.	4–6
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- to analyse the impact of the new strategy decision on the market capitalisation of WR

Indicative content/answers may include:

- market capitalisation is the combined value of the company's issued shares
- the strategic decision may damage the company's share price and its market capitalisation. The share price may fall reducing market capitalisation because investment in the electric bicycle sector will cost several million pounds but may not generate sufficient sales to earn high returns in the short run. The profit margin is lower and so unless sales increase sufficiently the overall profit will not increase. Shareholders may be short-term and not be willing to wait for long-term rewards
- alternatively, the share price may rise, increasing market capitalisation; this may be because shareholders may see this new strategy as a desirable move given the potential limits to growth in taxi market. This may show the management is forward-thinking and this might inspire confidence and increase demand for shares increasing share price.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2019

Accept other relevant answers.

Further guidance:

Level	Responses typically demonstrate
3	Clear link between the strategic decision and WeRide's market capitalisation.
2	Some link between the strategic decision and WeRide's market capitalisation.
1	Some relevant points identified.



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

0	2	3	Analyse how the ownership structure of Bell Ltd might have contributed to the success of its strategic decision making.
			[9 marks]

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

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed and is applied to the context.	4–6
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- To analyse ways in which being a private limited company fully owned by family might have contributed to the success of strategic decisions.

Indicative content / answers may include:

- 100% ownership by family sees a controlling interest with this group so the family will collectively have the final say.
- This small group of people should be able to communicate effectively ensuring decisions are clear and decisive. No other shareholders to consider or discuss with.
- Each owner is also a manager, this will allow better understanding e.g. of day to day issues, customer needs and employee issues.
- Family members are likely to have a long-term view. Strategic decisions looking at the long term may need to forego short term gain for the longer gain, this is more likely when shareholders have a bond with the business in such a way.
- The case contrasts with it being a plc and this could form an argument to contrast the more short-term perspective of some shareholders in plc.
- Strategic decisions can be made quickly in current structure as there are fewer people to communicate with than there would be in plc.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2020

0	1	Analyse the benefits to stakeholders of the rise in the share price of Sunport PLC.
		[12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	1–4

The demands of this question are:

- understand benefits of an increase in a share price
- link these benefits to Sunport PLC's stakeholders
- to analyse two benefits.

Indicative content:

- shareholders will see an increase in the value of their holding
- senior managers can raise finance more easily by selling shares – may be needed to implement new strategy
- as senior managers receive shares as part of their pay package, an increased share price will benefit them financially at a personal level
- may mean less interference from shareholders – there was some concern over Martin's prioritisation of CSR, but an increased share price can hold that pressure at bay – again, senior managers benefit
- increased share price for a major PLC can generate positive publicity in the media – useful for managers
- less likely to be taken over as the higher share price would increase market capitalisation meaning any bidder would need to pay more – probably good news for employees.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2022

17	.	2	Eamon is considering using his personal savings to buy out the shareholders in Fit Gym plc to convert it back to a private limited company.
			To what extent do you think this would be a good decision for Eamon?
			[16 marks]

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The student will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question	1–4



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2022

	• makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	
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The demands of the question are:

- analyse the case for and against Eamon using his personal savings to buy out the shareholders and converting this business back to a private limited company
- make supported judgement on whether this is a good decision for Eamon in the given circumstances.

Indicative content:

- Eamon established this business and by making this business a private limited business he can take back control and run the business as he sees fit. His long-term objectives can only really be achieved if he does not have to concern himself with the pressure of following shareholders' wishes to cut back on costs and raise dividends.
- The current market capitalisation is £50 million and Eamon has a personal fortune that would mean he could probably buy the company back into his own control (although this would depend if he would need to pay a premium). He would likely have to pay £45 million as he owns 10% of the shares already. With this control he can easily fulfil all of his objectives without outside pressures. Evidence from the share price shows the market capitalisation is fluctuating and at its lowest at the moment. The time to buy would be now if Eamon is going to do it but he would lose most, if not all of his personal savings.
- Given Eamon is at risk of losing his job and given he wants to stay in the industry for another decade, the option of buying the business back and becoming a private limited company allows him to fulfil this. Without full control he may have to start again with another company or advise elsewhere if he wants to remain in the industry.
- If the business remains as a public limited company and the shareholders are successful in their aim to improve profits, dividends and market capitalisation this may favour Eamon. With a 10% share in the business at present he does stand to financially benefit from this route, although it would depend on the level of success.
- The business may be exposed at present to a takeover with a low share price. This business would likely be the American firm which has a reputation for cost cutting going against Eamon's long-term aims, possibly replacing Eamon. If Eamon wants to prevent ownership from the American business, the only way is to buy back total control as a private limited company.
- Eamon is clearly proud of the reputation of the business and there is evidence to suggest this could be damaged by further cut backs. Eamon also considers further cut backs would also lead to less gym memberships. If he is worried about the risks involved in further reduction, or a takeover, taking full control in the future of the business is his only option.
- Any takeover of the company suggested may allow Eamon a large pay off for his shares as he owns 10% at present, however given his personal savings vastly outweigh this figure, it may have little value to him.

Evaluation:

On balance, this decision is based on Eamon's personal preference and his wishes for his savings. Remaining as a public limited company means that the business could move down a more profitable route and reap rewards in dividends for Eamon as a shareholder. However, ultimately Eamon appears to want to use his personal savings to fulfil his longer term aims and he can only do this by buying back his business although this means using all of his savings and taking a large risk. His aims can only happen if Eamon takes back control and has the vision to expand using the personal funds he has (if this is plausible).



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2022

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

16	.	2	Recommend whether Paul should take the investment offered for expansion by Holly or remain as a sole trader. Justify your answer.
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[16 marks]

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrate analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	1–4



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

The demands of the question are:

- analyse reasons Paul should take the investment offered for expansion by Holly
- analyse reasons Paul should remain as a sole trader
- make a decision about whether Paul should take the investment offered for expansion by Holly or remain as a sole trader.

Indicative content:

- Paul wants to keep control of his business and has been very successful from carrying out decisions himself. If he continues like this, it is likely that he can meet his objectives of profit to supplement his pension but he will have to work more than his current stated objectives ('wanted to work 2 days a week'... worked more recently **but** has really enjoyed it')
- Paul would only be able to make decisions quickly on puzzle trends if he remains in total control of the business. This investor has no experience. At present he can do this as a sole trader. If decisions are made by someone else the puzzles may not meet the trends at the time which could increase the amount of stock that does not sell and worsen profits
- if Paul takes on the investment the decisions will be made someone else, but he should be able to revert to working 2 days a week and can enjoy his retirement which was one of his objectives. However, he is really enjoying the additional work at present
- taking on investment for expansion and converting to a private limited company will allow Paul to avoid the risk with stock bought and debts from retailers as he will move to limited liability rather than unlimited liability and leave him less exposed
- taking on investment will mean that Paul can expand his business quickly and potentially make three times the profits. Paul will only receive 40% of the increase in profits. Currently Paul earns around £40 000 profit. If he takes the limited company option, this might increase profit to £160 000 (assuming Holly's 'promise' is feasible) and he will get 40% (£64 000). He will also work less time.

Evaluation:

Overall, given that Paul set this up as a hobby, is enjoying it and the business is meeting his objective of adding to his pension it does not seem to make sense for him to take the risks with the investor. Despite the fact he may get some small increase in his returns, he is already meeting his objectives and seems content as he is. He would need to consider the benefits of the potential for working reduced hours and the implications for profit as well as the loss of control to someone who he does not know and has no experience (how plausible are Holly's promises around expansion and significantly increased profits?). Paul may well be more suited to making his own decisions (rooted in experience and expertise) quickly and staying on top of trends, even if he has to work harder. There may be some benefit to becoming a limited company in any case, but he can achieve this without needing an additional investor.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2020

Section C

2	1	'Limited liability benefits all stakeholders of a public limited company.'
		Do you agree? Justify your view.
		[25 marks]

25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	21–25
4	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	16–20
3	A reasonable response overall that focuses on some demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	11–15
2	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	6–10



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2020

1	A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	1–5
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The demands of the question are on:

- the meaning of limited liability
- understanding its impact specifically on the owners/shareholders of a company
- analysing how the limiting of liability for owners might directly affect other stakeholders
- assessing the wider impact of limited liability on the financial strength of a business and its willingness to take risks
- evaluating the overall impact of limited liability on individual stakeholders and stakeholders as a group of interested parties.

Indicative content may include:

- explaining how limited liability can reduce risk for shareholders/owners, by limiting the sum of money they can lose
- recognising that shareholders can lose all of their investment in the business and have the lowest priority amongst stakeholders in terms of receiving funds from a company that goes into liquidation
- examining the impact on other stakeholders, if a business liquidates the other stakeholders may not receive money owed to them by the business
- recognising the stakeholder groups who are likely to have the greatest interest in this instance
- showing how different stakeholders might suffer losses to a different extent. For example, workers tend to be paid regularly and so may only lose their final wage payment, whilst suppliers may experience more significant losses, especially if they offered generous credit terms to the business. Banks and lenders might suffer significant losses, but not if they have possession of security for the loan
- more generically, limited liability has encouraged the development of large businesses and the inclination to take risks, leading to greater wealth in the economy and individual businesses
- this factor has generally been very positive for most stakeholders, as they have benefited financially from their involvement with limited liability businesses.

The extent to which limited liability might be beneficial (or not) to stakeholders will vary. For shareholders it is clearly advantageous, although it might encourage shareholders to put money into businesses despite having a limited understanding of its activities.

For all other stakeholders, limited liability can improve the risk of non-receipt of debts, although this can be balanced against its function as a creator of potential opportunities for stakeholders.

The importance of limited liability might vary according to market conditions. In a boom it will be much less relevant as it only applies to businesses going into liquidation.

Question 10 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 08 · Section A objective test question

Correct answer: C

A reduction in interest rates.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 04 · Section A objective test question

Correct answer: C

introducing fair trade principles

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

1	2	Explain one way an increase in competition could lead to fixed costs rising for a business.
		[3 marks]

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

Level	The candidate will typically demonstrate:	Marks
3	Clear logical link between increased competition and impact on fixed costs.	3
2	Some link between increased competition and impact on fixed costs.	2
1	Some understanding about the effects of increased competition.	1

The demands of the question are:

- explain one way an increase in competition might lead to fixed costs increasing.

Indicative content:

- an increase in competition may mean that the business may need to spend more on advertising to compete with the rival, increasing advertising costs, which are a fixed cost
- an increase in competition may mean that the business may need to employ more customer service employees (or other staff) in order to compete with the rival on service, increasing staff salaries, which are a fixed cost.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2017

1	8	A fashion chain decides to switch to 'fair trade' clothing in its shops. Explain one possible consequence for the fashion chain.
		[4 marks]

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

Level	The student will typically demonstrate:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context	2–3
1	some knowledge and understanding but the explanation is limited and lacking application to the context	1

The focus of the question is on:

a fashion chain business switching to fair trade and one possible consequence of this change for the business.

Indicative Content

- fair trade products often guarantee a certain minimum price to suppliers, and therefore costs of garments may increase if the firm switches to these suppliers
- ethical consumers may place a high value on the concept of fair trade and will therefore be willing to pay a higher price for these products
- the popularity of fair trade products may lead to increased volume of sales

Context is fair trade linked to corporate social responsibility or ethical consumers/possibly linked to fashion or fashion clothing.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2019

1	5	Analyse one effect of an ageing population on the level of profits of a private hospital business.
		[5 marks]

Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a good knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	5
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a reasonable knowledge and understanding of issues in the question - demonstrates analysis which is developed and is applied to the context.	3–4
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–2

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such demographics or profits (AO1)
- be applied to the context of an ageing population and private health care business (AO2)
- analyse how profits are affected by changing demographics (AO3).

Possible responses:

- the ageing population may lead to a higher costs for health care businesses as more resources (medicine, staffing, etc.) will be needed which will lead to lower levels of profit
- the ageing population may lead to a greater level of demand and prices may also be able to rise which will lead to higher levels of revenue with costs not rising as rapidly this would push profits up.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2019

Further guidance

Likely responses for level 3 will understand the issue of changing demographics, clearly identifying one effect it will have on profit and linking this effect to the context of a private hospital business.

A level 2 response is likely to understand the issue of changing demographics, clearly identifying one effect it will have on profit but fail to fully link this effect to the context of a private hospital business.

A level 1 response is likely to show an understanding the issue of changing demographics in general without linking to how it impacts on level of profits or any link to context of a private hospital business.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2025

Section C

Total for this section: 50 marks

16	.	1	Analyse how the interest rate changes forecast in Table 1 are likely to affect Ondata Bicycles Ltd.
			[9 marks]

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	4–6
1	A limited response overall with limited focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–3



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2025

The demands of the question are:

- to analyse the implications of rising interest rates
- in the context of Ondata.

Indicative content:

- rising interest rates will increase the repayments on its existing borrowing, because it is a variable rate loan. This will raise costs and reduce profits. The loan still has 15 years of repayments to be made due to the amount outstanding on the loan (£1.1 million) interest rates are likely to have a significant impact on the loan repayments (valid calculations to support this line of argument should be credited)
- the increase in the repayment cost will worsen cash flow. Ondata will need to ensure it has sufficient cash to meet its payments or it could risk being unable to carry out trading activities such as buying materials or paying employees
- the bicycles that Ondata sells are relatively expensive (£3000 each) and potential customers may find it more expensive to borrow money to purchase the bicycles (with incomes in the UK expected to fall in the next couple of years). This could reduce demand and, therefore sales revenue

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

further guidance...

- L1: likely to just identify aspects of RSs' approach to managing human resources and make no / limited reference to Herzberg
- L2: likely to offer some argument based on either hygiene and / or motivation factors but not establishing a clear link to the success of RS in motivating employees or analyses why RSs' approach is successful in motivating employees with no reference to Herzberg (such a response might be addressing some of the demands of the question)
- L3: argument(s) based on both (hygiene and motivation) factors establishing a clear link to the success of RS in motivating employees

Indicative content may include:

- Motivators include the opportunity for advancement - staff are given regular training offering employees the opportunity to develop
- Hygiene factors prevent dissatisfaction and are evident and well developed in the business as (e.g. secure, well-paid jobs and an excellent salary)
- It is possible that the 'stimulating working environment' might be used in more than one way, depending on whether the argument focuses on the 'stimulating' aspect or the 'working environment' aspect

1	6	.	2	To what extent do you think the level of demand for Richer Sounds' products is determined by its external environment? Justify your view.
				[16 marks]

Level	the student will typically demonstrate:	marks
4	An excellent response overall that is fully focused on the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the	9–12



	question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrate analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	1–4

The focus / demands of the question:

- The extent to which the demand for Richer Sounds products is determined by the external environment such as economic, social and technological factors rather than other factors (such as internal factors e.g. its management of costs)
- A logical / justified overall judgement as to the extent to which level of demand is determined by external environment (**focus**) based on competing arguments (**range/depth**)
- Balance** from considering both external environment and other factors (argument / counter argument)



Indicative content may include:

the external environment may focus on the following areas for Richer Sounds:

- competition – tough competition has meant that rivals such as Amazon and Argos offer a wider range of products and have a well-developed online presence.
- economic environment – tough trading conditions over the past few years means that customers maybe more cautious with spending on such products.

other factors might include:

- demand may be influenced by Richer Sounds' ability to charge low prices
- service – the level of service that they provide could be said to be a USP, employees are highly motivated and offer a specialist service – something that Amazon and Argos do not.

The evaluation may consider:

- The role the external environment plays in terms of influencing demand but recognises that Richer Sounds' own decisions also play a role and they key to maintaining demand may be to respond/anticipate appropriately.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2020

0	8	'Decisions of managers have a bigger influence on the demand for the products of any business than changes in the external environment.' Do you agree? Justify your view. [20 marks]
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Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate	Marks
5	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	17–20
4	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	13–16
3	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	9–12
2	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	5–8
1	A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that: - demonstrates isolated or imprecise knowledge and understanding - demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question - makes judgements or proposes solutions based on assertions.	1–4



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2020

The demands of the question are:

- **analyse the influence of the external environment and managers' decisions on demand**
- **make a supported judgement on** the relative importance of the external environment and managers' decisions on demand for a business.

Indicative content may include:

- how external factors affect the demand for a business
 - the role of managers in making decisions to affect demand – examples could be successful or unsuccessful ones, eg pricing decisions, which products to offer, the approach taken to HRM
- the statement does suggest an either-or, however there may be a link, eg the external environment may change, and demand may be influenced by this and the reaction of managers



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

0	8	To what extent are demographic factors, rather than environmental factors such as recycling, likely to have a bigger impact on the future profits of all businesses?
[20 marks]		

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate	Marks
5	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	17–20
4	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	13–16
3	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	9–12
2	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	5–8
1	A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that: - demonstrates isolated or imprecise knowledge and understanding - demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question - makes judgements or proposes solutions based on assertions.	1–4



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

The demands of the question focus on:

- the importance of changing demographics and their influence on businesses
- the importance of environmental factors and their influence on businesses
- a focus on one having a bigger impact than the other
- in businesses/industry generally not just VL.

Indicative content may include:

- Demonstrates knowledge and understanding of relevant issues of changing demographics. This could include a focus on growing population, higher proportion of older people, issues of gender – marketing issues for example of focusing on male/female products, changing demographics of different countries – potential target markets.
- Size of households; these can vary from country to country, many businesses sell globally so this can have an impact on how they market and sell their goods/services.
- May also include issues such as social trends, fast pace of changes due to influence of technology over demographics. For example, may focus on influences of social media, internet, and celebrity focus.
- Demonstrates knowledge and understanding of relevant environmental issues for example; effect on local, national, global communities, sustainability, green taxes, carbon footprints, Fairtrade suppliers.
- Any other relevant environmental issue/impact.
- Sustainability could be discussed in terms of potentially cutting costs in the longer term, may mean a business has a USP, is able to be more competitive.
- Focusing on environmental issues may help a business to build their brand, help their reputation and increase customer loyalty.
- Issue of pollution may be considered and the impact this has on businesses, third parties and customers. VL tries to keep pollution as low as possible.
- VL tries to be ethical and environmentally responsible. It aims to keep waste to a minimum for example. This is true for many other businesses and can help to boost a business's reputation and reduce costs.
- The issue of the 2 factors for different businesses not just VL.
- Coverage of both issues must be shown, one is likely to be covered in more detail and depth than the other to allow a judgement to be made.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



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Assessment objectives grid

AO	Q.01	Q.02	Q.03	Q.04	Q.05	Q.06	Q.07	Q.08	Total
1.1	1	1	2	1	1				5
1.2					2	2		4	9
1.3				2		2	4		8
2.1	2		2		1			3	8
2.2					2				2
2.3		2		3		2	2		9
3				3	3	4	4	5	19
4.1						2	3		5
4.2									0
4.3						4	3	8	15
4.4									0
Total	3	3	4	9	9	16	16	20	80

Quantitative skills may be assessed across the assessment objectives.

Quantitative skills	Q.01	Q.03	Q.04
calculate, use and understand ratios, averages and fractions			
calculate, use and understand percentages and percentage changes	2		
construct and interpret a range of standard graphical forms			
interpret index numbers			
calculate cost, revenue, profit and break-even			
interpret values of price and income elasticity of demand		3	
use and interpret quantitative and non-quantitative information in order to make decisions	1		
interpret, apply and analyse information in written, graphical and numerical forms.			2
Total quantitative skills marks	8		



WHAT THE EXAMINERS SAID · comments from AQA's Reports on the Examination

Quoted word for word, in the same order as the questions. Not every question has a comment.

2. Q2 · AS Paper 1 · June 2023 · 1 mark · 3.1.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 2 and 7 also proved to be challenging for a significant number of students. Question 7 saw students torn between the correct response of D and response B, with responses A and C also attracting significant support. It would appear as though the interpretation of break-even charts continues to be a tricky concept for a lot of students. Question 2 saw nearly half of the students opting for the correct response of B, although each of the other three options attracted significant interest with option C accounting for just over one fifth of the responses.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

3. Q1 · AS Paper 1 · June 2024 · 1 mark · 3.1.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 1 and 8 proved to be the most straightforward, closely followed by questions 9 and 4.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

6. Q2 · AS Paper 2 · June 2018 · 3 marks · 3.1.1

< MARK SCHEME

Calculating profit should be fundamental to studying business. It was pleasing that most students were able to perform well on this question with many scoring full marks. On all calculation questions it is wise to lay answers out clearly and show workings – this gains credit for processes even when an error may have led to an incorrect final answer.

Source: AQA Report on the Examination, AS Business 7131/2, June 2018.

8. Q3 · AS Paper 2 · June 2025 · 4 marks · 3.1.1

< MARK SCHEME

Overall, a well answered question with many students demonstrating very good knowledge and understanding of what a mission statement is and how a mission statement can benefit a business. Many students wrote strong explanations of a benefit of a mission statement and related this well to the case study. In this question we saw less than 1% “not attempted” responses.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

9. Q6 · AS Paper 2 · June 2018 · 16 marks · 3.1.1

< MARK SCHEME

There were a good number of well-developed and focused responses considering the importance of profit to HS as a charity. It was pleasing to see many balanced responses building to thoughtful judgements. A significant weakness was confusing profits with revenue: too often students stating ‘profits needed to pay costs’, even after defining profits as Total Revenue – Total Costs in the opening sentence. This emphasises the need for clarity and precision in the use of business terminology. Occasionally the idea of a ‘charity’ led to some confusion – with some claiming profits were not important due to a charity being an organisation run by the government. However, the question differentiated well, and the majority demonstrated a good understanding of charities.

Source: AQA Report on the Examination, AS Business 7131/2, June 2018.

10. Q3 · AS Paper 1 · June 2019 · 1 mark · 3.1.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3, 4 and 9 proved to be the most straightforward, closely followed by questions 5 and 2.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

11. Q3 · AS Paper 1 · June 2023 · 1 mark · 3.1.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3 and 9 proved to be the most straightforward, followed by questions 4, 8 and 10.



Q3 · AS Paper 1 · June 2023 (continued)

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

12. Q4 · AS Paper 1 · June 2024 · 1 mark · 3.1.2

[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 1 and 8 proved to be the most straightforward, closely followed by questions 9 and 4.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

13. Q1 · AS Paper 1 · June 2025 · 1 mark · 3.1.2

[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

14. Q3 · A Level Paper 1 · June 2018 · 1 mark · 3.1.2

[< MARK SCHEME](#)

Only about half of students knew that both were private sector organisations. It is a common misconception amongst students that public limited companies are public sector (government) organisations. However, the overall answers indicate that over 40% of students believed that PLCs were public sector organisations.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2018.

18. Q2.1 · A Level Paper 2 · June 2022 · 2 marks · 3.1.2

[< MARK SCHEME](#)

Although general understanding of the term 'share dividend' was sound, many definitions were rather imprecise and some rather vague. The key weakness was a lack of focus on the apportionment of profit or the opposite, the notion of return on investment.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

19. Q3 · AS Paper 2 · June 2019 · 3 marks · 3.1.2

[< MARK SCHEME](#)

Responses to this question covered the full range of marks fairly evenly. A common wrong answer was to discuss organisational structure rather than ownership. Most focused well on the business being a private limited company, but in particular the 60% control by Claudia with 40% by the charity. Better responses then linked this to guaranteeing the flow of money through to Bangladesh in line with the business's core purpose.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

20. Q12 · AS Paper 1 · June 2023 · 3 marks · 3.1.2

[< MARK SCHEME](#)

This question saw a balanced spread of marks across the levels and required students to explain one factor that might cause the share price of a plc to increase. The key to success here was to clearly explain the link between the factor identified and the increase in share price. The vast majority of students were able to access level 1 by identifying a relevant factor but a significant number of these were unable to move beyond this level. The strongest responses were able to clearly explain how the factor identified might cause share price to increase, and the most effective responses were impressively concise, demonstrating an understanding as to how a factor such as an improvement in the performance of the business (eg profits increasing) or another potentially positive change (eg an increase in dividends/speculation around an imminent takeover) might lead to an increase in the demand for shares and hence an increase in share prices.

The responses that remained in level 1 tended to simply state a potential factor without any meaningful attempt at explanation. Just over a quarter of the responses to this question were awarded a mark in level 2, and such responses generally fell short of making a clear and/or convincing link between the factor identified and the rise in share price rises. Student responses often seemed to suggest that share prices would simply rise as a consequence of the factor identified rather than offering an explanation around such notions as an increase in the demand for shares.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.



21. Q1.2 · A Level Paper 2 · June 2018 · 3 marks · 3.1.2[< MARK SCHEME](#)

Students who scored well on this question were able to identify a clear reason why share prices might fall and related it to the context of Marks and Spencer, with a good explanation of how this would cause the movement in share price to occur.

Many students could identify a reason and develop the impact on profit, revenue or market share for example, but then were unable to develop the reference to the share price fluctuation; alternatively they could develop a reason but without relevant context. The most common omission was not actually explaining how or why a fall in profits would lead to the share price falling.

Weaker students were able to give a reason but with little or no relevant explanation. Students need to fully understand that the key word explain requires more than just giving a simple reason.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2018.

23. Q2 · AS Paper 2 · June 2017 · 4 marks · 3.1.2[< MARK SCHEME](#)

Most students identified the key relevant arguments of limited liability and accessing finance and expertise from other shareholders. There was a good understanding of the concept of limited liability and the related benefits. However, it was quite rare to find answers that made references to Stephanie's own circumstances. Good answers related points clearly back to the issue of 'risks' in the context of Stephanie's position.

Weaker responses tended to focus on the generic benefits of establishing a private limited company and the requirement in the question to consider the effect on risks

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

24. Q14 · AS Paper 1 · June 2025 · 4 marks · 3.1.2[< MARK SCHEME](#)

This question involved another calculation, and students were required to calculate the value of total dividend paid by a business given the figures for market capitalisation, share price and dividend per share. This proved to be a much more accessible question than the previous calculation question (question 12) and the concept seemed to be considerably more familiar than margin of safety.

For those with a sound knowledge and understanding, there was a straightforward route to four marks, and nearly 70% of the students took it and achieved full marks. A small number of students scored three marks, invariably through the 'own figure rule' and a few responses achieved two marks generally by calculating the number of shares in issue but not progressing beyond this point. Just under 20% of students either did not attempt this question or were awarded zero.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

26. Q2.2 · A Level Paper 2 · June 2022 · 4 marks · 3.1.2[< MARK SCHEME](#)

Explaining why the share price rose proved difficult for many. Most could readily identify a cause from the case, securing application and understanding, but too often failed to explain the rise in share price. A significant number failed to recognise the need to explain the demand price mechanism for shares. A minority seemingly believed that the business will set the share price themselves.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

27. Q2.1 · A Level Paper 2 · June 2018 · 9 marks · 3.1.2[< MARK SCHEME](#)

Almost all students understood the difference between a private and a public limited company. Many more were able to use the context of the case to build responses. Good responses were able to use the context of Lego's past decisions as a clear line of argument. For example, students might analyse how Lego's managers previous long-term view might be challenged by a more short-term approach of public company shareholders. Investment in China and Mexico or new product development were often offered as potential casualties of the impact on decisions where looking less long term was a change the managers would have to address. Lines of development like this targeted student's responses fully at the question asked in context of Lego.

Some students confused the decisions made by the manager with those made by the shareholders and there was a tendency for some students to address the question from a shareholder perspective. Many focused on the release of public accounting data and became lost in this line of argument being unable to really relate it to management decisions. The questions asked for decisions (plural) which was essential to reach Level 3 on the marking scheme and some students were only able to offer one. There was a significant amount of assertion and confusion between ownership and other aspects of a business; for example, there was sometimes an assumption that a private company treats its staff well unlike a public one or an assumption that only a public company is

multinational or an assumption that they sell to a mass market whereas a private company supplies a niche. A few students provided very theoretical responses with no relation to Lego.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2018.



28. Q2.1 · A Level Paper 2 · June 2019 · 9 marks · 3.1.2[< MARK SCHEME](#)

This question highlights the need for students to ensure they are confident with all terms in the specification. A common mistake was to write at length about market share rather than market capitalisation and it was clear many students did not understand the term. This question had more blank responses than any other.

Where students were confident with the concept, they would discuss the positive and negative impacts on share price. The case study was useful for this question in supporting students' responses and most who understand market capitalisation utilised it well. Effective responses considered the short term damage to share price due to the costs of new strategy which will cause profits and dividends to fall, therefore reducing market capitalisation due to shares being unattractive to investors. More effective responses then considered that in the long term, this may be reversed as the new strategy begins to work. Some less well developed responses focused on share volume.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

30. Q1 · A Level Paper 3 · November 2020 · 12 marks · 3.1.2[< MARK SCHEME](#)

A surprising number of students struggled to address this question effectively. A large number of responses showed misunderstandings of the consequences of a rise in share price, most notably believing that a business will have more money as a result. Straightforward responses scored well – the question was not complex – with those focusing on shareholders and senior managers usually managing to achieve well over half marks. It remains troubling that the impact of a change in share price was so often misunderstood and implies that this may be an area of the specification that needs more careful study for many students.

Source: AQA Report on the Examination, A Level Business 7132/3, November 2020.

31. Q17.2 · AS Paper 1 · June 2022 · 16 marks · 3.1.2[< MARK SCHEME](#)

This question seemed to be very accessible, and the best responses certainly met the challenge of telling us what the student thought in terms of whether this would be a good decision for Eamon, and recognised that the balance of the argument lay around his personal objectives and his willingness to risk his savings and the desire for control in the context of the increasing conflict with shareholders.

Many students did identify some the relevant issues involved in this decision, although relatively few built effectively on this to offer a sound and well-supported overall judgement as to the best course of action for Eamon, and a significant number simply presented the pros and cons without really coming to any clear conclusion. Again, quite a number of responses tended to go down the 'on the one hand' and 'on the other' road, with no convincing attempt at making a clear and well-supported final decision. Such responses indicated a lack of planning and thinking. For example, a number of students started by asserting that Eamon should buy out the shareholders and then went on to construct arguments to suggest that this was not the case and then, in many cases, their closing statements returned to their original view without any reference to the counter argument in the middle. The result was that there was no weighing up of the issues and the overall judgement simply made an assertion. Students should ensure that their overall judgement is logical and is based on the balance of the arguments provided, and they need to apportion their thinking and actual writing time appropriately. Evaluative questions such as this one tend to require a well-

justified decision/judgement, not just an outline of the case for and against. Students need to think carefully about the demands of the question, to achieve the highest levels.

Other responses contained more developed and applied explanations but were rather one-sided and thus lacked balance, and a significant number of such responses did not offer any real counter arguments either because they did not consider the option of the 'status quo' or they did so in a way that was largely descriptive. This inevitably led to judgements that were partial at best.

A significant number of the weaker responses suggested a lack of knowledge and understanding around the differing legal structures of business in general and the role of shareholders in a public limited company in particular. Others did little more than consider the pros and cons of public as opposed to private limited companies, and some responses extended this by offering some thoughts on the pros and cons of sole traders, and, in so doing, drifted a long way from answering the question.

Once again, it was clearly evident that the most successful students had unpicked the demands of the question, paused for thought and undertaken some planning before ever committing a word to paper. Such students identified the key factors around this decision and used them to shape and frame their argument. They took a clear view, and there was evidence of thinking and planning, and of having a sense of direction from the outset, and this seems key to excellent answers in that they are written with a clear intent.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

32. Q16.2 · AS Paper 1 · June 2024 · 16 marks · 3.1.2[< MARK SCHEME](#)

The vast majority of students were able to provide reasonable responses to this question with about a quarter of the responses moving into the higher levels. The weakest responses tended to be highly descriptive in nature and were generally lacking in precision and substance.



Q16.2 · AS Paper 1 · June 2024 (continued)

Again, the stimulus material presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. However, some responses attempted to include every bit of context and did little more than recycle the case, while others focused very narrowly on the benefits and drawbacks of sole traders and private limited companies (and sometimes demonstrated confusion between private and public limited companies). Such responses were, as a consequence, very limited in either depth or range and balance.

Stronger responses tended to go very much along the lines of 'on the hand' and 'on the other,' with an attempt at a final decision that did not always seem to connect logically to the preceding arguments. Such approaches tended to achieve both range and balance but were not always fully focused on the essential challenge of the question in terms of whether this business (Paul's Puzzle Business) would be better advised to remain as a sole trader or accept Holly's offer for expansion.

As in the past, it is worth thinking about the potential limitations of the deployment of pre-determined structures and mechanical approaches to answer evaluative questions such as this. These often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question set. For example, there was a tendency for some students to start writing in terms of 'on the one hand' and 'on the other hand' and devote most of their time to arguing for and against the two options, and then have very little to offer in terms of meaningful judgement. In such cases, it was sometimes far from clear what the student actually thought. The higher tariff, evaluative questions such as this are framed to demand a judgement / decision and the student must focus on this essential challenge in the question and not leave the reader wondering as to what view the student is taking.

The most impressive responses generally took the view that it would be best to reject Holly's offer and were built on balanced and well-developed arguments that led logically to a well-supported overall decision with a clear focus on the demands of the question. Such responses tended to be built around a balanced and thoughtfully weighted consideration of key issues such as control, personal satisfaction, speed of decision making and the extent to which Paul's stated aims were already being fulfilled, as well as Holly's lack of experience and the credibility of her promise to increase profits by 300%. It was striking how many of the weaker responses seemed simply to accept this increase as an inevitable outcome of accepting Holly's offer.

A striking feature of the most impressive responses was the clarity of the students' view, as well as the coherent structure of the discussion and the thoughtful selection of the arguments. This suggests that the better answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

33. Q21 · A Level Paper 1 · November 2020 · 25 marks · 3.1.2

[< MARK SCHEME](#)

There was a wide range of answers to this question. Some students had an uncertain understanding of the concept of limited liability; some understood its implications but only for shareholders. The better answers tended to provide more balanced answers, recognising how limited liability can be beneficial to some stakeholders in certain circumstances but present problems to other stakeholders. There were some instances where the terms stakeholder and shareholder were not clearly distinguished.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

34. Q10 · AS Paper 1 · June 2018 · 1 mark · 3.1.3

[< MARK SCHEME](#)

This question had the same structure as Q4, with four separate statements. This proved to be more challenging than Q4 because two particular distractors proved to be popular with a third of the students.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

35. Q8 · AS Paper 1 · June 2025 · 1 mark · 3.1.3

[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

37. Q12 · AS Paper 1 · June 2024 · 3 marks · 3.1.3

[< MARK SCHEME](#)

This question required students to explain one way in which an increase in competition might lead to a rise in fixed costs for a business, and the key to success here was to clearly link the impact of increased competition to a rise in fixed costs. The vast majority of students seemed to have some idea as to the likely effects of increased competition and many were able to develop an argument as to what impact this might have on the costs of a business in general. The strongest responses were able to demonstrate an implicit or explicit understanding of fixed costs and to develop a clear and logical link between the increase in competition and a rise in fixed costs.



Q12 · AS Paper 1 · June 2024 (continued)

The most effective responses were impressively concise. They demonstrated understanding implicitly and without the need to offer a definition of fixed costs, and made a valid link supported by a brief explanation. Around two fifths of the responses were awarded a mark in level 3. The responses that remained in Level 1 tended to do little more than demonstrate some understanding of the effects of increased competition. Just under one third of the responses to this question were awarded a mark in level 2, and such responses generally fell short of making a clear and / or convincing link to the fixed costs.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

38. Q18 · A Level Paper 1 · June 2017 · 4 marks · 3.1.3

[< MARK SCHEME](#)

This question enabled many students to demonstrate a good understanding of 'fair trade' and to apply that understanding to a particular context. It is important when answering questions to demonstrate a precise understanding of the key issues being assessed. For example "it increases demand" or "it increases costs" shows no specific link to how "fair trade" has these effects. Better responses made these links clear. However quite a few students found the context more demanding and focused only on the impact of 'fair trade' on a business. Good responses related to a retail context.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2017.

39. Q15 · AS Paper 1 · June 2019 · 5 marks · 3.1.3

[< MARK SCHEME](#)

The majority of responses achieved level 2 by demonstrating clear knowledge and understanding of the likely impact of an ageing population on a private hospital business. Most students came at this from the demand side and were able to make and develop a link between an ageing population and a higher level of demand for medical services. However, in a great number of cases, such arguments tended to end with the notions of increased demand, revenue or sales, and fell short of making a link to the level of profits. A considerable number of responses simply asserted that increased revenue would automatically lead to an increase in the level of profits, even when the response had started with a perfectly reasonable definition of profit.

A limited number of students considered the cost implications of an ageing population for a health care business but, again, tended to fall short of taking the argument through to the likely impact of the level of profits by ignoring the implications for revenue. The level 3 responses had a clear focus on the impact of an ageing population on the level of profits and developed explanations that considered both costs and revenue.

The weaker responses that failed to move beyond level 1 tended to be descriptive and did little more than show some general understanding of the notion that an ageing population would experience an increase in health issues. Some students seemed to be confused by the differences between private and public sector provision, and tended to devote most, if not all, of their response to the perceived inadequacies of the NHS without ever attempting to develop a line of reasoning that focussed on the question set.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

40. Q16.1 · AS Paper 1 · June 2025 · 9 marks · 3.1.3

[< MARK SCHEME](#)

This proved to be an accessible question with the majority of students being able to provide reasonable responses and a significant number moving into the highest level. The question offered a considerable amount of evidence on which to build valid and developed arguments, and most students were able to make something of the likely impact of increasing interest rates on the servicing of Ondata's outstanding loan of £1.1m.

The less frequently deployed lines of argument were rooted in the likely impact on sales of its existing range of high performance and relatively expensive bicycles in a niche market in the context of falling UK incomes. The most impressive responses did make effective use of this

element of the scenario and demonstrated sound knowledge and understanding around the income elasticity of demand of +3, and a significant number of students reached level 3.

Less successful responses tended to lack real focus in that they did not really consider the fact that the loan was originally agreed at 3.5% with a variable rate of interest, or they did not consider any issues beyond the impact on the existing debt. Some students did not appreciate that the impact would be on servicing the debt, instead suggesting that the actual amount of the outstanding loan would increase. In these responses, students did little more than identify some issues and recycle the material from the case, often not looking beyond table 1, and any explanation tended to be very limited and largely descriptive. A number of students confused income elasticity with price elasticity of demand.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.



41. Q16.2 · AS Paper 1 · June 2017 · 16 marks · 3.1.3

< MARK SCHEME

Once again, many students were able to provide reasonable responses to this question and a significant number moved into the highest levels. Most responses opened with an attempt to define the 'external environment' (some also defined 'demand'), although again this is not essential- an understanding of the external environment could be shown within the arguments made.

The weakest responses tended to identify a range of factors (for the most part from the external environment) that might determine the level of demand for Richer Sounds' products, and offer some limited and, often, generic explanation. A number of students appeared to simply work their way through the case study picking out all of the factors that might have a bearing on the level of demand, and this approach often seemed to be underpinned by the use of PESTLE (or a variant thereof) as a structure. At best, this tended to generate one-sided answers which lacked real focus and generally sacrificed depth for range.

Other responses contained more developed and applied explanations but were very one-sided and thus lacked balance. Some good arguments were built on the state of the economy and were linked to income elasticity (although a number of responses demonstrated some confusion between income and price elasticity of demand), and on the potential impact of the competition. However, a significant number of such responses did not offer any real counter arguments either because they did not consider other factors or they did so in a way that was largely descriptive. This inevitably led to judgements that were partial at best.

Some responses indicated a lack of planning and thinking. For example, a number of students started by asserting that the level of demand was entirely determined by the external environment, then went on to construct arguments to suggest that this was not the case and then, in many cases, their closing statements returned to their original view without any reference to the counter argument in the middle. The result was that there was no weighing up of the issues and the overall judgement simply made an assertion about one factor that influenced demand, ignoring the others that had been analysed. Students should ensure that their overall judgement is logical and is based on the balance of the arguments provided.

The best responses were well structured and demonstrated a clear and consistent focus on the question asked, were built on balanced / competing arguments and reached a logical / justified overall judgement. Students who reached the highest level responded to the challenge of 'to what extent' by contrasting the external environment with other factors, generally weighing up the importance of the economy and competition against customer service and the low price strategy.

The responses that fell short tended to build a case for and against the importance of the external environment and then conclude by offering a number of 'it depends' factors which had little if any development or link to the analysis. Evaluative questions require supported judgement and students need to think and plan what their judgements are. Simply explaining how the external environment affects Richer Sounds and how the internal environment affects Richer Sounds does not make a judgement on the extent to which the external environment affects the company. Students need to allocate their mental and actual writing time appropriately. Evaluative questions such as this one tend to require a consideration of the extent of something, not just an outline of the case for and against. Students need to think carefully about the demands of the question, to achieve the highest levels.

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

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The best responses focused their answers on 'all businesses' and their 'future profits'. Students scoring in the top levels for this question showed balance to their arguments and used good, well thought out business examples to emphasise and support their points. It was pleasing to see that most students now seem to be able to identify when they are being asked to discuss 'all' businesses, few students missed this part of the question. Overall, this question proved very accessible, lower level responses tended to be very generic and focused on one element only, either demographic or environmental factors. A small number of students could not demonstrate sufficient knowledge or examples of demographic factors and struggled to apply these to businesses.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

