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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

Managers, leadership and decision making (3.2)

A Level Business (7132) · Section 3.2

45 questions · 307 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 · 45 questions · 307 marks · 3 sub-topics

SUB-TOPIC 3.2.1 · 19 questions · 130 marks · lowest tariff first

UNDERSTANDING MANAGEMENT, LEADERSHIP AND DECISION MAKING

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]

Do not write
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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



4

0 6

The **two** statements below relate to the seven P's of the marketing mix.

Statement 1: Ensuring that communications with customers are dealt with promptly is an aspect of 'Process'.

Statement 2: Ensuring that the reception area of a business is clean and tidy is an aspect of 'People'.

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 7

A business wishes to reduce its capacity. Which of the following actions is **not** a method that a business will use to achieve this aim?

A Cutting back on capital equipment

☐

B Rationalising its labour force

☐

C Reducing output

☐

D Selling a factory to another business

☐

[1 mark]

0 8

Based on Tannenbaum and Schmidt's continuum of leadership, in which part of the continuum does the manager have least authority?

A Consult

☐

B Sell

☐

C Share/Joins

☐

D Tell

☐

[1 mark]



0 4

IB/M/Jun19/7131/1



3

0 3

Statement 1: 'According to Blake Mouton, a middle-of-the-road leader has a greater concern for production than a country club leader.'

Statement 2: 'According to Blake Mouton, an impoverished leader has a greater concern for production than a team leader.'

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

Sales revenue will stay the same if:

[1 mark]

A prices rise by 5% and the price elasticity of demand is 0

☐

B prices rise by 10% and the price elasticity of demand is -1

☐

C incomes rise by 5% and the income elasticity of demand is -1

☐

D incomes rise by 10% and the income elasticity of demand is -0.1

☐

0 5

A business's target market is based on young people who frequently visit gyms. This business is using which of the following types of market segmentation?

[1 mark]

A Behavioural and demographic

☐

B Behavioural and income

☐

C Demographic and geographic

☐

D Income and demographic

☐

Turn over ►



0 3

IB/G/Jun22/7131/1



2

Section A

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

For each answer 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** The Blake Mouton grid classifies leaders and managers according to their concerns for**A** environment and people.☐**B** law and production (task).☐**C** environment and law.☐**D** people and production (task).☐**[1 mark]****0 2** In a SWOT analysis of a business, which **one** of the following statements is **true**?**A** An inefficient quality assurance system is a threat.☐**B** Lower unemployment leading to increased demand is a strength.☐**C** New legislation that requires a business to modify its products is a weakness.☐**D** The liquidation of a competitor is an opportunity.☐**[1 mark]**

0 2

IB/G/Jun18/7132/1



7

1 0

The table below shows the two different management styles used by managers in four companies.

Do not write
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Company	Management styles
A	'Country club' and 'Impoverished'
B	'Produce or perish' and 'Team leader'
C	'Produce or perish' and 'Impoverished'
D	'Country club' and 'Team leader'

Which company is **most** likely to use a soft human resource management approach?
[1 mark]

- A Company A ☐
- B Company B ☐
- C Company C ☐
- D Company D ☐

1 1

Statement 1: 'External growth requires a business to integrate with another business that is located in a different country.'

Statement 2: 'Organic growth requires a business to use its own resources to expand its size.'

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. ☐

Turn over ►



0 7

IB/G/Jun20/7132/1



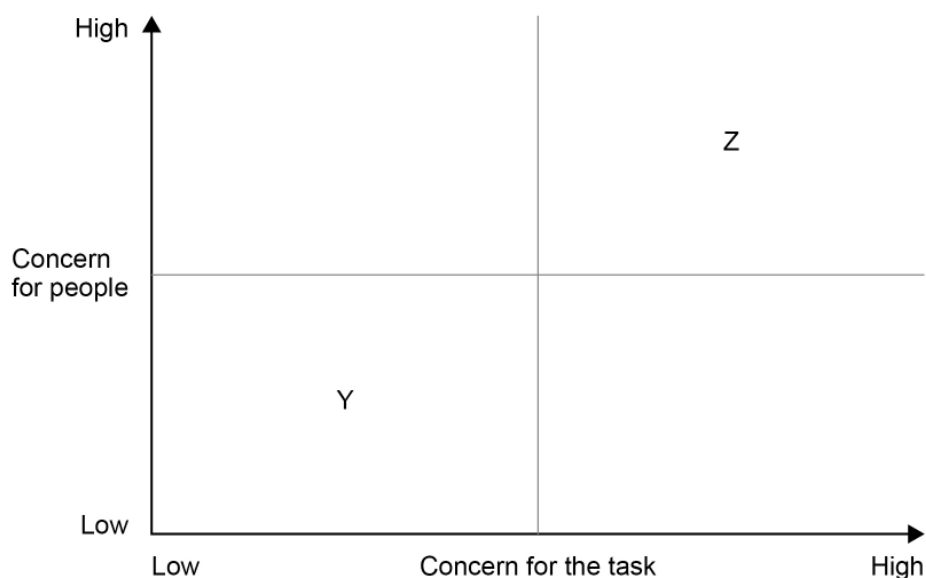
3

0 3

Figure 1 below shows the Blake Mouton grid.

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Figure 1 Blake Mouton grid



In Figure 1, the move from point Y to point Z shows a change in leadership style:

[1 mark]

- A** from country club leader to 'produce or perish' leader.
- B** from country club leader to team leader.
- C** from impoverished leader to 'produce or perish' leader.
- D** from impoverished leader to team leader.

☐☐☐☐

Turn over for the next question

Turn over ►



0 3

IB/G/Jun21/7132/1



5

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0 5

Statement 1: 'According to Blake Mouton, a country club leader has a greater concern for production than a produce or perish leader.'

Statement 2: 'According to Blake Mouton, a team leader has a greater concern for production than a middle of the road leader.'

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 6

Which government policy is most likely to increase **both** GDP and inflation?

[1 mark]

A Higher interest rates

☐

B Higher tax on goods

☐

C Lower income taxes

☐

D More open trade

☐

0 7

A business starts to use 'kaizen'.

This should lead to

[1 mark]

A external, disruptive change.

☐

B external, incremental change.

☐

C internal, disruptive change.

☐

D internal, incremental change.

☐

Turn over ►



0 5

IB/G/Jun23/7132/1

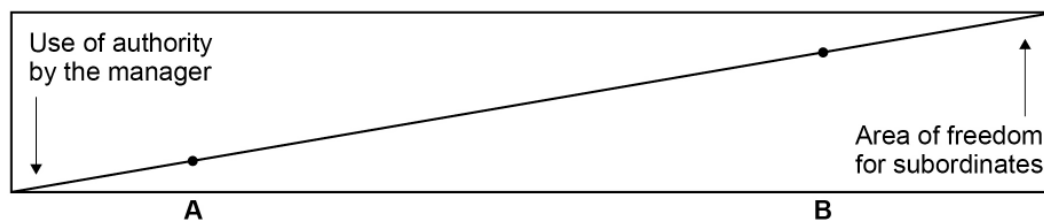


8

1 3

Managers' leadership style in a business is shown by the Tannenbaum and Schmidt diagram below. The managers change their leadership style from point A to point B.

Explain **one** benefit of this change to the business.

**[4 marks]**

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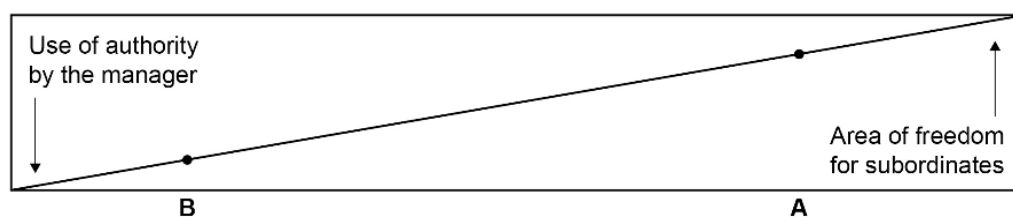
IB/G/Jun22/7131/1



9

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- 1 2** Explain why managers may change their style from that shown at **A** to that shown at **B** on the Tannenbaum and Schmidt diagram below.

**[5 marks]**

Extra space _____

5



0 9

Turn over ►

IB/G/Jun17/7131/1



10

*Do not write
outside the
box***1 3** Explain the value to a start-up business of using primary marketing research.**[5 marks]**

Extra space _____

5

1	5
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A business has a manager with a 'country club' style of management on the Blake Mouton grid. It replaces this manager with one who has a 'produce or perish' style.

Analyse **one** impact this change could have on the motivation of the business's employees.

[5 marks]

[illegible]

Extra space _____

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5

Turn over for Section C

Turn over ►



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

The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

Source 1

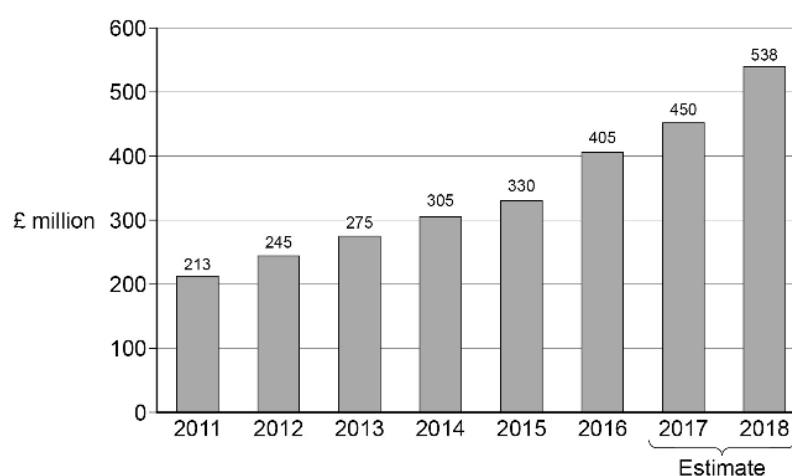
G-Free Ltd

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

END OF SOURCE

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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 15).

< CASE STUDY

5

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The original small factory was described as being run using a team management approach on the Blake Mouton grid. Analyse how this team management approach might have led to the judges' comments at the 'award ceremony'.
(lines 31 – 34)

[9 marks]

Extra space

9



Turn over ►

IB/G/Jun17/7131/2



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Managers in a business have a range of leadership styles.

Analyse how these different leadership styles might impact the effectiveness of a strategy to decentralise this business.

[9 marks]

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16

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9



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Managers undertake a number of roles. Analyse how the reviewing role of a human resource manager can improve the performance of the workforce.

[9 marks]

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9

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8

0 2

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

Do not write
outside the
box**Homeworking**

Homeworking (or teleworking) is the action of working from home, using the Internet, email and the telephone to link the employee and the business remotely.

The number of people working from home has been rising steadily for several years as communications technology has improved.

Table 1 UK labour market data

	2019	2020
Number of people in employment (millions)	32.6	32.5
Number of people working at least partly from home (millions)	8.7	

Some businesses now adopt homeworking as the normal practice. For example, several financial institutions have reduced the amount of office space they own or rent in city centres. The wider impact of the change has been seen through fewer commuting journeys.

There have been some concerns over increased homeworking due to a reduction in face-to-face communication between employees. There has also been a decline in sales for businesses, such as coffee shops, that rely on office staff as customers.

Some sectors, such as transportation and wholesale, provide few opportunities for people to work from home. Other sectors, such as IT, finance and insurance, provide more homeworking opportunities to staff.

0 2 . 1

Of people in employment, 36% worked at least partly from home in 2020.

Using **Table 1**, calculate the percentage change in the number of people working at least partly from home between 2019 and 2020.

[3 marks]

3



0 8

IB/G/Jun23/7132/2



Case study: AM plc (Aerial Manufacturing plc) (A Level Paper 3, November 2021 insert)

The full case study for Q2 (12 marks), which follows on the next pages. Read it before answering.

The past

Aerial Manufacturing plc (AM plc) manufactures toys. For 20 years the business has made remote-controlled toy aircraft, drones and helicopters. These have been sold through retailers in the UK. Shortly after the company was founded, it moved all its manufacturing operations to a factory in China. This allowed AM plc to take advantage of cheap manufacturing costs – primarily due to the low wages paid to factory workers in China at the time. The company's headquarters – including its product design department – stayed in the UK. 5

A new boss

A new Chief Executive, Roger Hicks, was appointed a few months ago. Prompted by shareholder dissatisfaction over low profitability, he was given two main objectives:

- increase sales turnover quickly 10
- increase dividend payments to shareholders by 2025.

Roger immediately analysed the existing strategic position of the business. He knew that recent rises in wage rates in Chinese factories meant that wage rates there are now closer to those in the UK. He analysed performance data from the AM plc factory (Appendix A) and visited the factory. He found what Blake and Mouton would describe as a 'produce or perish' style of management. Unlike similar factories in China, which use a 'middle of the road' style, AM plc's factory relied on a high division of labour where each worker completed one small repetitive task. Supervisors were paid a bonus according to the output per worker for their section. As a result, rest breaks had been shortened and shifts extended by supervisors desperate to achieve bonuses for themselves. Following his review, Roger knew things had to change and introduced a new corporate strategy. 15 20

A new corporate strategy

AM plc will no longer make toys or sell through retailers. Roger's new strategy will build on the company's existing expertise in manufacturing remote-controlled aircraft and drones but targeting different customers. AM plc will design and manufacture sophisticated drones to be used by businesses which need an aerial capability as part of their operations. Drones are used in many industries including agriculture, construction and distribution. Roger intends to produce a range of drones specialising in inspection, high-quality video footage and parcel delivery. 25

AM plc will be selling directly to businesses. Roger is confident that this strategy offers opportunities for huge growth as it is founded on the company's core competence of designing and manufacturing drones. Instead of trying to be a cheap supplier in the mass market for toys, the business will switch to a strategy of focused differentiation. Differentiation will come from being a long-established business in the industry with exceptionally high-performing and durable products. Market research is encouraging, with sales forecasts shown in Appendix B. 30 35



A new site

Roger believes he must move AM plc's manufacturing back to the UK. His operations director has identified two possible sites for a new factory. Site A is 30 miles from London. The area offers an attractive place to live and work, easy access to many potential customers' headquarters and good transport links to the rest of the UK. Site B is in the North West of England. After the recent closure of a nearby car factory, local unemployment is high. Site B is £2m cheaper than Site A and close to a port, therefore offering easy shipping for exports. Further data about each site is in Appendix C. 40

A new factory

Roger's vision of the new factory focuses on highly skilled workers using advanced robotics. Output will be of exceptionally high levels of quality, but with the flexibility to adjust the products being made to suit individual customers' specific requirements. Roger will use a 'Just in Time' system at the new factory. This will have implications for the frequency and size of deliveries, cash flow and the inventory turnover ratio. 45

Building a factory will be a complex process involving thousands of different activities. Roger understands the challenges involved in planning and managing a project of this size. In a former job as project manager for a multinational manufacturer, he had supervised the construction of several factories. He intends to use network analysis to identify the critical path. The existing factory in China will be closed in ten months and Roger is confident the new factory will be operational by then. 50

Finances

Roger has allocated a total budget for the change in strategy of £10m. Much of that will be spent on the new site, factory and production equipment, with the rest available for marketing. He has a bank loan arranged to borrow up to the full £10m. 55

Roger is confident that his decisions will lead to success in meeting his two objectives.



Appendix A 2020 performance data on AM plc's Chinese factory and similar factories in China

	AM plc Chinese factory	Average for similar factories in China
Unit cost	£23	£25
Productivity (units of output per worker per month)	240	200
Labour turnover	40%	15%
Defect rate per 1000 products	80	10

Appendix B Sales forecasts for AM plc based on quantitative market research

Years after change of strategy	Sales volume (units sold)	Sales value (£m)
Year 1	2300	11.5
Year 2	2800	14
Year 3	4000	20
Year 4	6000	30

Appendix C Information on possible sites for AM plc's new factory

	Site A	Site B
Initial investment (purchase of land plus factory construction and production equipment)	£8m	£6m
Average selling price per unit	£5000	£5000
Fixed costs per year	£6m	£4.5m
Variable costs per unit	£2500	£3000
Maximum capacity (units per year)	10 000	8000



Appendix D Extracts from latest annual accounts for AM plc

	£m
Sales turnover	22
Cost of sales	20
Inventories	5
Other current assets	1
Current liabilities	6
Non-current liabilities	5
Total equity	15

END OF SOURCE



This question is based on the case study: AM plc (Aerial Manufacturing plc)

A Level Paper 3, November 2021 insert. Printed in full on the pages just before this one (from page 24).

< CASE STUDY

5

0	2
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AM plc has a 'produce or perish' style of management.

Analyse how this may have caused the performance data for its Chinese factory to differ from the average for similar factories in China, as shown in **Appendix A**.

[12 marks]

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IB/G/Jun21/7132/3



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7

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12

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Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)

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

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	-1.3	£38	£700	£9.00
BB Ltd	-0.5	£50	£950	£10.50
Main rival	-0.9	£45	£800	£9.50

The future

Raising finance 20

A larger workshop is needed for storage and assembly to accommodate the growth of BB. A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started. An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.



Regular contract

30

BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB’s current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours’ work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

35

Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

40

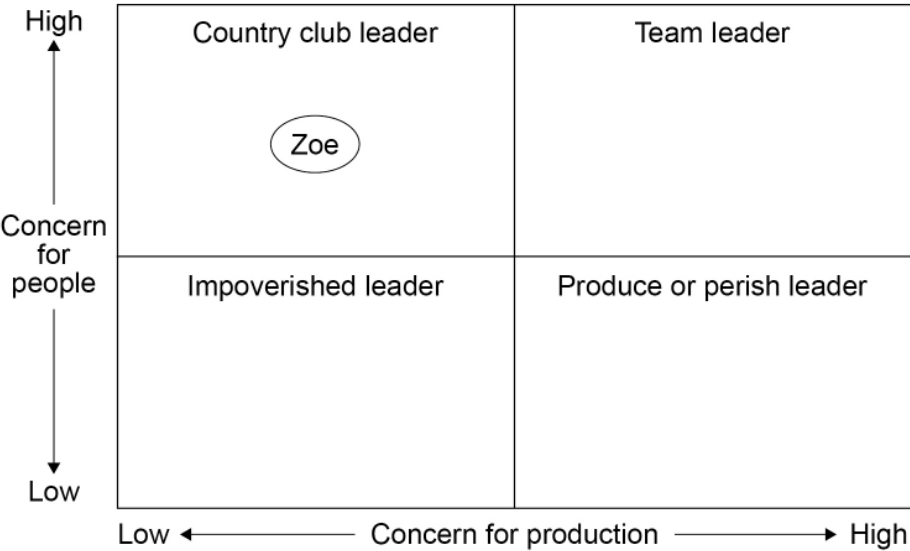
New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a ‘country club leader’, as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

45

50

Appendix A: Blake Mouton grid



END OF SOURCE

This question is based on the case study: Boss Balloons Ltd

AS Paper 2, June 2023 insert. Printed in full on the pages just before this one (from page 31).

< CASE STUDY

7

0	6
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Zoe is considering employing a manager with a 'produce or perish' style of management.

To what extent is this the right management style for BB to become more successful?

[16 marks]

Do not write
outside the
box

Turn over ►



A horizontal ruler scale with markings from 0 to 7 cm. The markings are in millimeters, with major ticks every centimeter and minor ticks every millimeter. The numbers 0 and 7 are clearly visible at the beginning and end of the scale.

IB/G/Jun23/7131/2



8

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outside the
box*

Extra space

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Case study: DWS Ltd (A Level Paper 3, June 2019 insert)

The full case study for Q5 (20 marks), which follows on the next pages. Read it before answering.

The business

DWS Ltd was founded in 1989 by Mike Chappell, who, after five years as an apprentice metalworker, set up his own business making metal tubing. The tubing is used in the manufacture of products as diverse as furniture, cars and buildings. The operations process involves buying in sheet metal and, at extremely high temperatures, shaping and joining the metal to create the shapes required by customers. DWS Ltd has always focused on producing the very highest quality products, adding significant value and charging relatively high prices.

5

Building a profitable business 1989–1994

DWS Ltd really struggled to attract customers in its first few years. Mike spent much of his time visiting potential clients, to try to build a loyal customer base. He often did not see his two deputy managers, in charge of operations and marketing, for several weeks – which left them waiting for advice from Mike on how he wanted their departments to operate. Money was scarce – most of the start-up capital was used to purchase expensive machinery and equipment. Mike struggled to track what was happening with the finances and often had to use an overdraft. In 1991, Mike introduced a budgeting system to help with managing the company finances. By 1994, Mike had inspired his workforce, developed a motivated and committed management team and found enough customers to create a profitable business.

10

15

Ongoing success 1994–2009

DWS Ltd grew to employ 120 staff. The business gained an outstanding record of customer satisfaction and extremely high levels of repeat business. Financial performance was excellent, allowing growth to be financed using retained profits. Mike's approach to Human Resource Management remained clear. He always expected 100% commitment from his staff. In return, staff were paid salaries above the national averages for the industry. The company invested heavily in training and at the beginning of 2008, Mike persuaded his fellow Directors to introduce a works council. Since its introduction the works council has met monthly and discusses major strategic issues facing the business. Mike has been described as a charismatic and inspirational leader whose staff are fiercely loyal to him and the business. The Human Resource data provided in **Appendix A** seems to support this view.

20

25

Responding to challenges 2009–now

Since 2009 DWS Ltd has been experiencing increased competitive pressures.

Problems have been caused by foreign rivals:

- improving their quality so that it is now much closer to DWS Ltd's levels
- charging lower prices.

30

In response, DWS Ltd has worked to boost its operational efficiency. In 2010 Mike introduced a new approach to operations. This new approach involved three elements:

- Just in Time production with smaller, more frequent deliveries of inventory
- a 'right first time' approach to quality assurance which involved extensive training for staff
- The creation of kaizen groups to discuss how to make improvements to the business's systems and processes.

35



Mike estimated that introducing lean production cost around £3 million.

40

An investment decision

The company aims to set objectives that balance profit and Corporate Social Responsibility. Its environmental performance is of particular interest to Mike. Prompted by increasing energy costs, the business is currently considering whether to invest £1 million in a project to fit solar panels to the roof of its factory in order to generate most of its own power from renewable sources. This is expected to lead to lower annual energy costs, although there will be some running costs – see **Appendix D**.

45

The future

Mike is under pressure from several Directors to adjust the corporate strategy for the next five years. Foreign rivals are becoming ever more competitive and most of Mike's attempts to cut costs have only seen limited success. Mike's proposal for the new strategy is to produce only the very highest value added, technically difficult items. This would involve stopping attempts to keep prices competitive by cutting costs. Some Directors would prefer the business to move downmarket instead. They want to target a wider market segment by reducing labour costs and levels of customer service as well as some expensive elements of being a socially responsible business.

50

55

The agenda for next week's Board meeting will feature discussion of:

- the proposed investment in solar panels
- corporate strategy for the next 5 years.

The group of unhappy Directors plan to present a SWOT analysis of DWS Ltd to Mike at the meeting.

60

Appendix A Human Resource performance data for DWS Ltd versus Industry average

	2003		2008	
	DWS Ltd	Industry average	DWS Ltd	Industry average
Labour turnover (%)	5	15	2	10
Employee costs as a % of turnover	60	48	65	50



Appendix B Operations data for DWS Ltd versus Industry average

	2008		2013	
	DWS Ltd	Industry average	DWS Ltd	Industry average
Faults per 1000 units made	5	12	1.5	8
Cost of 1 tonne of sheet metal (£) (DWS Ltd's raw material)	1100	1000	1350	1050
Average value of finished goods inventory (£m)	4	5	0.1	3

Appendix C Selected financial data for DWS Ltd

	2008	2013	2018
Number of customers placing orders	2400	2000	1500
Revenue (£m)	36	40	33
Profit for the year (£m)	3	2	0.2

Appendix D Investment appraisal data on fitting solar panels to reduce energy costs

Initial investment = £1m

Year	Reduction in energy costs (£m)	Running costs to maintain solar panels (£m)
1	0.3	0.2
2	0.7	0.3
3	1.0	0.3
4	1.3	0.3

END OF SOURCES



This question is based on the case study: DWS Ltd

A Level Paper 3, June 2019 insert. Printed in full on the pages just before this one (from page 35).

< CASE STUDY

14

0	5
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To what extent does the information provided support the view that Mike is an effective leader?

[20 marks]

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Case study: Sunport PLC (A Level Paper 3, November 2020 insert)
The full case study for Q5 (20 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.

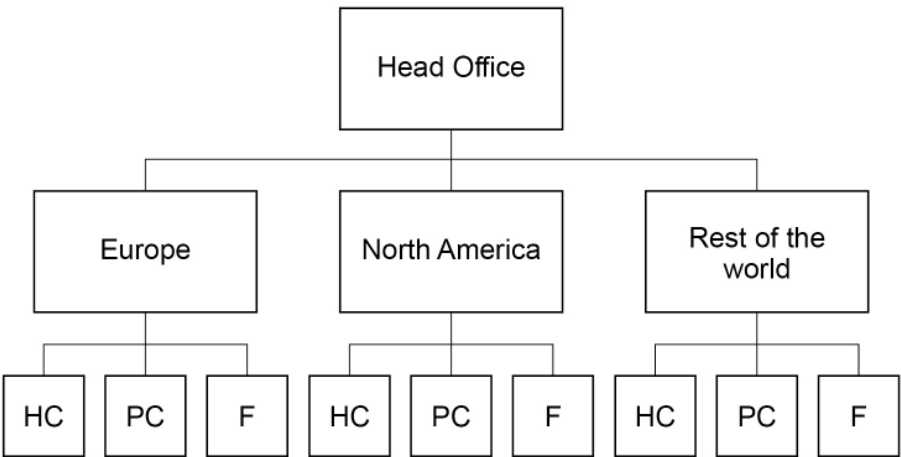
A socially responsible PLC

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.

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**.

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).



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.

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 42).

< CASE STUDY

14

0	5
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Whereas Martin delegated most decisions, Elaine will make decisions and then tell managers what they have to do.

To what extent is this change in leadership style likely to help the company achieve its objective of improving profitability?

[20 marks]

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1 4

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SUB-TOPIC 3.2.2 · 18 questions · 139 marks · lowest tariff first

UNDERSTANDING MANAGEMENT DECISION MAKING

6

09

A manager uses decision trees to choose the best financial outcome from four different options. Results from these options are shown below.

Option	Result 1	Result 2
A	Expected value = +£2 million	Pay-off of best outcome = +£18 million
B	Net gain = +£3 million	Pay-off of best outcome = +£12 million
C	Net gain = +£2 million	Expected value = +£4 million
D	Net gain = +£1 million	Expected value = +£7 million

Which **one** of these options is most likely to be chosen by the manager?

[1 mark]

A Option A

☐

B Option B

☐

C Option C

☐

D Option D

☐

10

Receivables are the value of

[1 mark]

A a business's sales revenue.

☐

B inventory held by a business.

☐

C money owed to a business by its customers.

☐

D money owed to suppliers by a business.

☐

10



06

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

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12

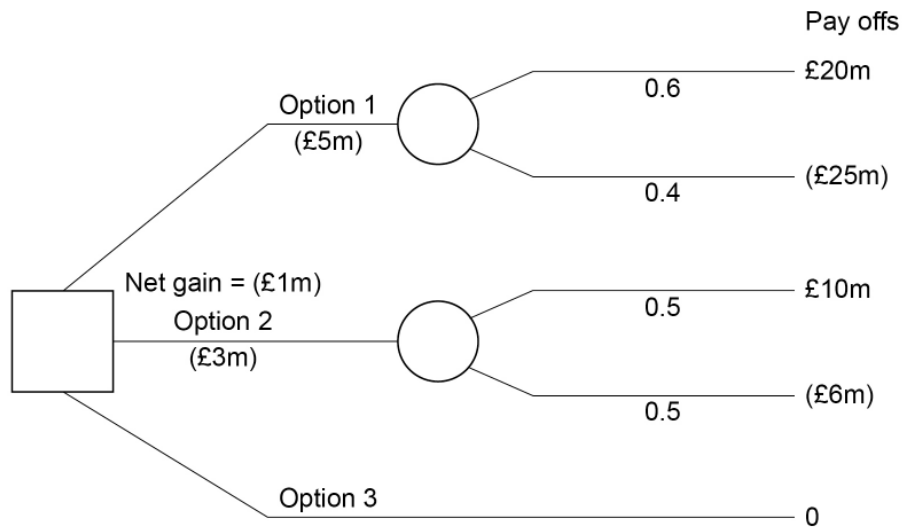
1 7

Figure 3 shows a decision tree with three options:

Option 1 is a new promotional campaign.

Option 2 is a modified product.

Option 3 is to do nothing.

Figure 3 Decision tree

1 7 . 1

Referring to **Figure 3**, calculate the expected value **and** the net gain of Option 1.
Show your working.**[3 marks]**

Expected value = _____

Net gain = _____

Working

1 7 . 2

Using these calculations and the other data in **Figure 3**, state which one of the three options the business should choose.**[1 mark]**

4



1 2

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3

0 3

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

Turn over ►



0 3

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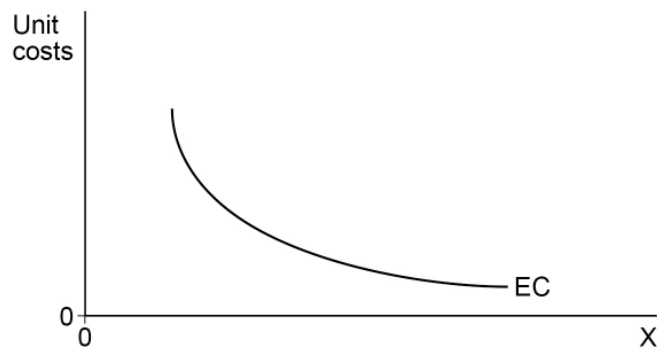


5

0 8

The diagram below shows 'the experience curve' of a particular business.

*Do not write
outside the
box*



The x-axis for this diagram measures:

[1 mark]

A annual output.

☐

B capacity utilisation (%).

☐

C cumulative output.

☐

D employee numbers.

☐
0 9

In a decision tree there are four possible outcomes of an action.

The probabilities of the 1st, 2nd and 3rd outcomes are 0.4, 0.32 and 0.24 respectively.

The probability of the 4th outcome is:

[1 mark]

A 0.04

☐

B 0.16

☐

C 0.32

☐

D 0.4

☐

Turn over ►



0 5

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

The full case study for Q3 (3 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 54).

< CASE STUDY

3

0 3Explain **one** ethical issue that the managers needed to consider when starting 'Our Place'.**[3 marks]**Do not write
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3

Turn over for the next question

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0 3

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12

17

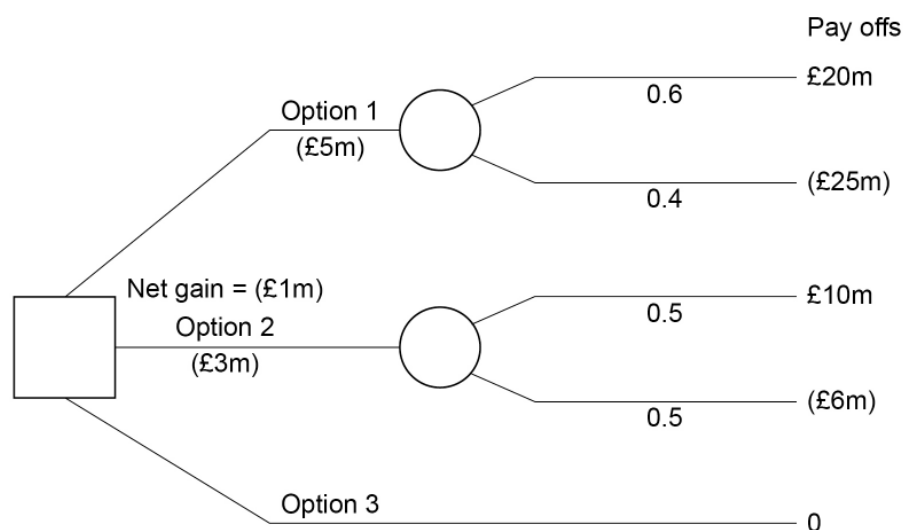
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Figure 3 Decision tree



17.1

Referring to **Figure 3**, calculate the expected value **and** the net gain of Option 1. Show your working.

[3 marks]

Expected value = _____

Net gain = _____

Working

17.2

Using these calculations and the other data in **Figure 3**, state which one of the three options the business should choose.

[1 mark]

4



1 2

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8

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

A business had a labour turnover of 15% in 2017 and 25% in 2018. Explain the likely impact of this change in labour turnover on its recruitment costs.

[2 marks]

2**1 2**

A manager is considering whether to launch a new, innovative product.

Explain **one** limitation of using a decision tree to make this decision.

[4 marks]

4

0 8

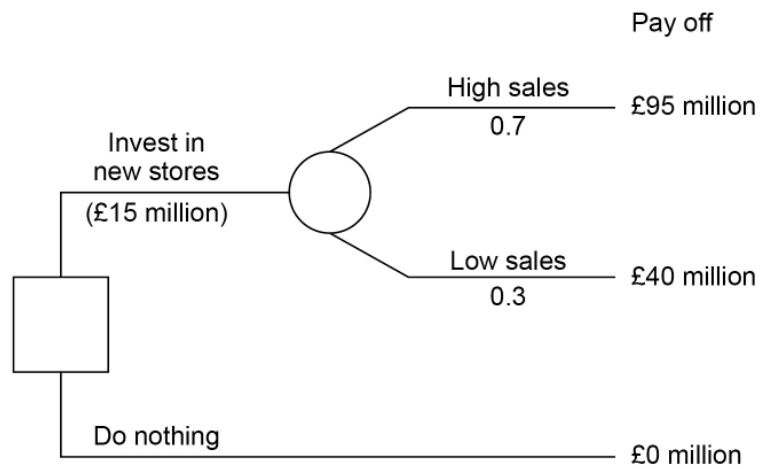
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9

1 4

A business is deciding whether to expand through investing in new stores. The business produces the decision tree below.



Calculate the net gain to this business of investing in new stores.

[4 marks]

Extra space

4**Turn over ►**

0 9

IB/G/Jun22/7131/1



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

The full case study for Q5 (9 marks), which follows on the next pages. Read it before answering.

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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 60).

< CASE STUDY

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The board of directors insisted on Lorna using scientific decision-making techniques before investing in 'Our Place'.

Analyse why.

[9 marks]

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A horizontal ruler scale with markings from 0 to 5 cm. The markings are in millimeters, with major ticks every 5 mm and minor ticks every 1 mm. The numbers 0 and 5 are printed below the scale.

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Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

Play Equipment Ltd

Play Equipment Ltd (PE) is a UK-based manufacturer of playground equipment such as slides, swings and climbing frames. PE Ltd makes and sells the equipment to business customers such as theme parks, holiday parks and schools. PE Ltd uses a sales team to promote its products to these business customers. PE Ltd has been running for 14 years. Until recently it had high market share in this competitive market and was known for its excellent quality equipment.

The operations manager believes that the raw materials supplier PE Ltd uses is to blame for its recent loss of market share. PE Ltd has used the same supplier for the last 5 years. However, in the last 18 months, there have been many faults reported with the raw materials. This has resulted in complaints from some of the businesses that PE Ltd supplies. The operations manager has returned the last shipment of raw materials used for the equipment, due to poor quality. The costs of the raw materials have increased, and so have the storage costs. The current supplier has not been able to offer just-in-time delivery. The operations manager thinks PE Ltd needs to find a new supplier before the situation gets worse.

The marketing manager is worried about the brand image of PE Ltd. In the last 2 years, PE Ltd has lost some of its brand loyalty. PE Ltd has faced tough competition from well-known toy brands that operate with lower unit costs. The shareholders of PE Ltd have expressed a desire to expand the markets in which the company sells. The shareholders want PE Ltd to start targeting individual customers, such as families who are looking to put play equipment in their homes and gardens. They have asked the managers of PE Ltd to undertake market research into this potential market to gather relevant data. Many of the managers disagree with this suggestion. Their intuition is to remain with the current market. However, the shareholders have asked the managers to produce a decision tree to decide whether to target the new market. If PE Ltd does decide to target individual customers directly this will significantly increase the number of potential customers. The marketing manager will need to create a new promotional mix. The finance manager would need a £50 000 loan to pay for the new promotional mix.

PE Ltd uses a range of financial and non-financial methods of motivation. The employees complete training every year to ensure they are aware of updates to machinery and processes. PE Ltd offers all employees the opportunity to work in the different departments, and managers use delegation to avoid employees becoming bored in their roles. The employees are paid below the industry average wage, but they can earn bonuses for hitting monthly productivity targets. Despite these incentives, labour turnover has increased from 10% to 35%. Employees have left due to better wages and higher bonuses being offered by competitors. PE Ltd's employees have many skills which can be used in other industries and this makes them hard to retain. It is difficult to recruit skilled employees due to lots of competition for workers in this rapidly expanding market.

Figure 1: Selected annual productivity data for PE Ltd

	2021	2022
Number of employees	102	108
Number of products made	25 500	27 648
Labour productivity	250	256

Figure 2: Selected financial data for PE Ltd

	2021	2022	2023
Monthly fixed costs	£21 000	£27 000	£30 000
Selling price per unit	£280	£300	£342
Variable cost per unit	£102	£120	£142
Units sold per month	800	1 200	1 850
Overdraft balance	(£85 000)	(£100 000)	(£150 000)
Retained profit	£100 000	£50 000	£30 000
Receivables due	£20 000	£25 000	£70 000

END OF SOURCE

This question is based on the case study: Play Equipment Ltd

AS Paper 2, June 2024 insert. Printed in full on the pages just before this one (from page 63).

< CASE STUDY

4

04

PE Ltd is deciding whether to enter a new market by targeting individual households directly.

Analyse how PE Ltd might benefit from using a decision tree when making this decision. [9 marks]

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Answer **all** questions in the spaces provided.Do not write
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Read the information below and then answer the questions that follow.

SCF

SCF is a UK-based manufacturer of components that are sold to UK and EU businesses which use them to produce computers. It has strong relationships with its small number of customers. However, recent vertical and horizontal mergers involving other firms in the sector have reduced the number of buyers. As a result, there are fewer opportunities to win new contracts. Furthermore, many of the biggest computer manufacturers only want to deal with large suppliers. Some manufacturers will only purchase components made in the European Union (EU).

SCF's owners are increasingly concerned about falling sales and profit margins. They recently appointed a new Chief Executive who set out a vision for ambitious growth. The growth plans focus on supplying directly to EU manufacturers from a new factory in Spain. This factory would replace the existing UK site, where efficiency has been falling.

Appendix A Extract from SCF's cash flow forecast

	October 2025 (£m)	November 2025 (£m)
Total inflows	3.24	3.35
Total outflows	3.11	3.22

Note: The closing balance for 31 October is £4.30 million.

Appendix B Financial information for SCF, 2022–2024

Year	2022	2023	2024
Inventory turnover (times)	5.9	5.6	5.2
Operating profit (£m)	0.92	0.71	0.63
Non-current assets (£m)	7.3	7.5	8.2
Non-current liabilities (£m)	3.1	2.9	2.8
Capital employed (£m)	9.3	10.0	10.2

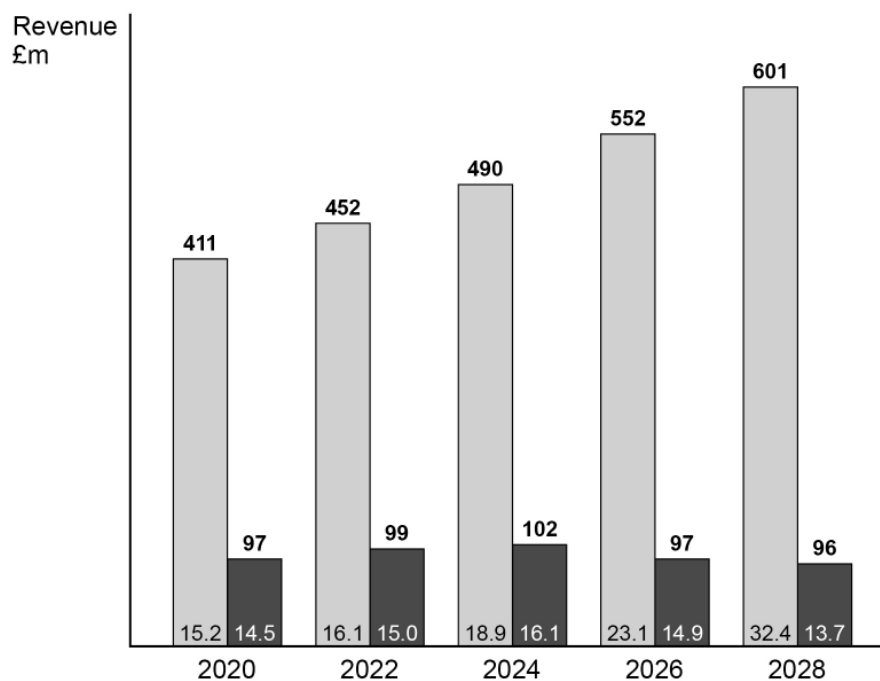


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Appendix C Value of total market and SCF's sales in different markets, 2020–2028**Key**

■ EU (excluding UK)

■ UK

411 Total market sales (£m)

15.2 SCF's sales (£m)

Note: Values for 2026 onwards are forecasts. These do not take into account the plan to move production to Spain.

Appendices continue on the next page

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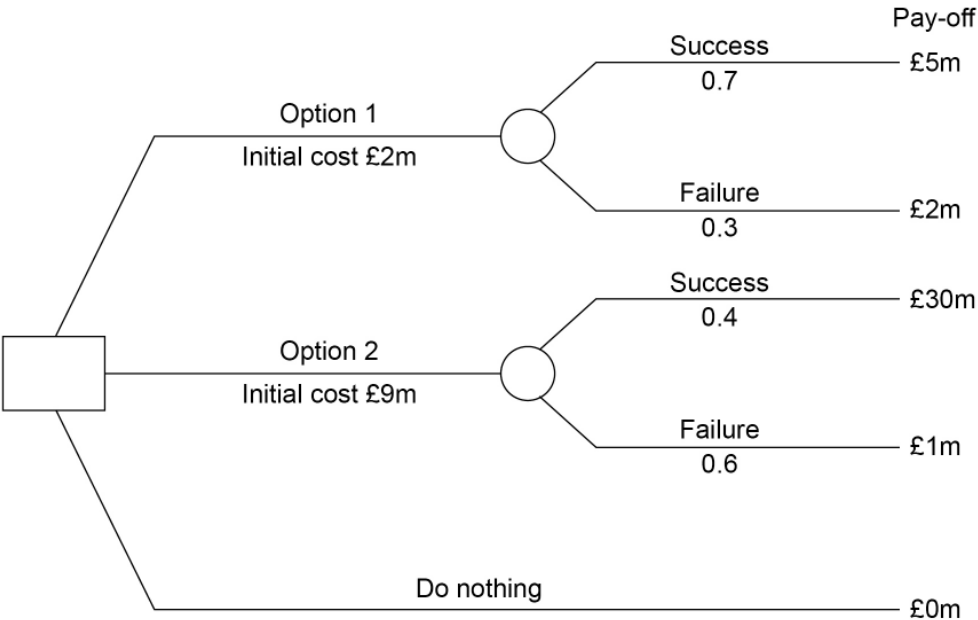
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Appendix D Decision tree showing outcomes of different strategic options predicted by SCF's sales forecasting

Option 1: Upgrade existing UK factory
Option 2: Build new factory in Spain



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Appendix E Forecasts for selected economic variables, 2025–2028

	2025	2026	2027	2028
UK GDP growth (%)	+0.2	+1.2	+0.6	+1.3
EU GDP growth (%)	+3.1	+3.6	+4.2	+5.1
UK unemployment (%)	5.5	6.2	7.1	7.0
UK interest rates (%)	5.4	5.2	5.5	6.1
Value of the £ in euros	€1.18	€1.10	€1.03	€1.00



Section CAnswer **all** questions in this section.**1 5****AdventureCamp**

In 2015 Sam Turner decided to leave the army and set up his own business. He had always enjoyed being a risk taker. He spent nearly a year establishing AdventureCamp Ltd (AC Ltd) just outside London. At the camp Sam runs outdoor activities for adults such as zip wire and rope climbing challenges; it includes a café area. Sam is very 'hands on' and enjoys managing every aspect of the business. However, he has found it harder than he imagined negotiating with suppliers and banks; perhaps because the business is new and small.

Sam targets business customers who use his camp for team-building events. Sam designs specific activities for each business based around his specialist army training. He has offered very favourable trade credit terms and, in this first year, big discounts where necessary to win bookings. He believes that once organisations have used his services he will win their repeat business and their brand loyalty. He is well aware there are many other team-building companies that businesses could use.

For his first year Sam set two financial targets: to break even and to keep his short-term borrowings from the bank under £25 000. His mission is to create a number of AdventureCamps across the UK in the next few years.

Sam is now considering two options. He does not have the time to do both.

Option 1: Adding new facilities to the existing camp to provide some activities that are usable when the weather is bad. Sam has had to cancel bookings at the very last minute because of health and safety issues when there are high winds or heavy rain. This has led to complaints.

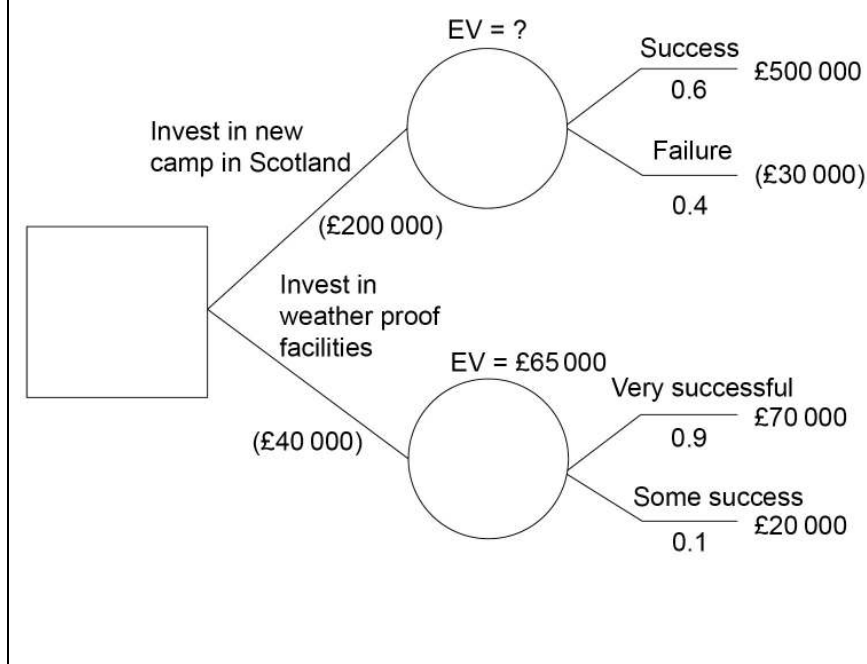
Option 2: Opening a brand new and much larger camp in Scotland with the aim of targeting families wanting outdoor activities (eg for birthday parties). A friend has told Sam of some land that is available near Edinburgh and, having asked a few local families, she thinks there is potential. She has put together some financial estimates based on this. Sam is very excited at the idea of a second camp.

Table 1: Financial extracts for AC Ltd on 31 December 2016

Item	Data
Receivables	90 days
Payables	21 days
Overdraft	£35 000
Debt	£100 000
Total long-term funds invested in the business (including debt)	£150 000
Average contribution per customer in 2016	£25
Total number of customers in 2016	8000
Fixed costs in 2016	£207 000
Interest rates on existing loan	5.5%



13

Do not write
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box**Figure 1:** Financial data on the two options

Question 15 continues on the next page



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1 **5** . **1** Use **Table 1** to analyse the weaknesses of AC Ltd's financial position on 31 December 2016.

[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.



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

The full case study for Q7 (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

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

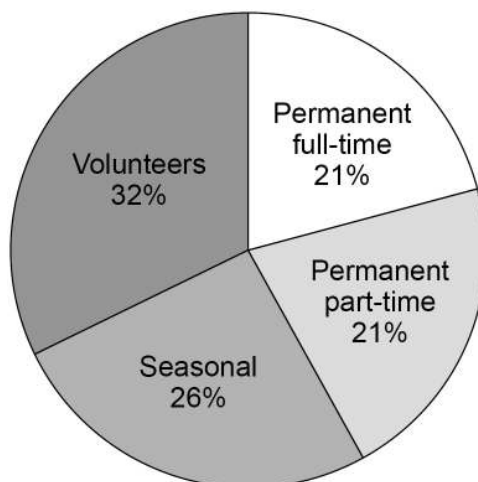
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers 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 78).

< CASE STUDY

07

Was HS right to sell the three hostels in 2016? Justify your view.

[16 marks]

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Refurb-iture Ltd

Veronica is CEO of Refurb-iture Ltd, which makes and sells luxury home furniture to high income groups. Currently all of its furniture is made from reclaimed and recycled materials. The business has grown rapidly in the last two years. The number of staff in the sales department has increased from 15 to 75. As a result, many staff are inexperienced. In the sales department, there are currently 5 managers and 10 deputy managers. Each deputy manager is in charge of 6 assistants.

Some new staff have reported they do not feel very well supported. There have been some complaints from customers about slow service times as staff check information with deputy managers. The business' staffing costs are double that of its main competitor.

Veronica recognises that good customer service and eco-friendly products are the main reasons customers buy from Refurb-iture Ltd. The shareholders of Refurb-iture Ltd have set Veronica the following objectives:

- expand the product portfolio from just home furniture to achieve rapid sales growth
- maintain its exclusive and unique brand image
- increase profitability in the long term.

Veronica is determined to meet these objectives by increasing the product portfolio with one new type of product. She has researched two options for the new type of product: garden furniture or office furniture. Her research is shown below.

	Garden furniture option	Office furniture option
Market value in UK	£12 million	£650 million
Growth in the market in last 10 years	10%	25%
Average price per unit	£1500	£150
Initial investment cost for machinery	£2.5 million	£1.2 million
Variable cost per unit	£120	£22
Discounts offered by suppliers for bulk purchases	Not offered	15%
Materials used	100% eco-friendly	40% eco-friendly
Number of competitors with similar products	1	8



17.2

Recommend whether Refurb-iture Ltd should choose garden furniture or office furniture for its expansion.

Justify your answer.

[16 marks]

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END OF QUESTIONS



Case study: Speed-e-Puds Ltd (A Level Paper 3, June 2024 insert)

The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

Sanjay opened the first branch of Speed-e-Puds Ltd after seeing the huge growth in the dessert parlour market during the last 10 years. Driven by franchise brands such as Creams and Treatz, there are now just over 500 dessert parlours in the UK, serving waffles, pancakes and ice cream in eat-in restaurants.

Sanjay has developed a patented waffle maker, the 'SuperWaffler', which cooks perfect waffles in less than half the time of other waffle makers. This innovation is central to Speed-e-Puds Ltd's customer offer – 'desserts as tasty as anywhere, served twice as fast' – a unique selling point that appeals to its target market of young families and teenagers. 5

Despite his engineering background, Sanjay sees himself primarily as an entrepreneur. Sanjay now owns three successful Speed-e-Puds Ltd branches just one year after he opened his first. All three branches are very busy throughout the day, operating at high levels of capacity utilisation. This success has made Sanjay impatient to grow the business further. He believes that a Speed-e-Puds Ltd outlet in 75 cities in the UK would enable him to achieve the marketing objective he has set: 10

Achieve a 15% share of the UK dessert parlour market in the next three years

A new product?

Sanjay is considering offering a new product through his Speed-e-Puds Ltd branches – slushies. These flavoured, crushed-ice drinks are served from a large machine that would take up a significant proportion of the counter in each Speed-e-Puds Ltd branch. Detailed financial information on the slushy machines has been provided by the slushy machine supplier and is shown in **Appendix B**. 20

Sanjay's personal financial objective is to achieve a return on investment of 25% on any money invested in his business.

Growth 25

Sanjay knows that opening new branches is critical to achieve his marketing objective. He faces a choice over which method of growth to use:

Option 1

Sanjay could retain tight control over Speed-e-Puds Ltd by growing purely organically. All new branches would be part of the Speed-e-Puds Ltd organisation, with Sanjay frequently meeting the managers that he appoints to run these branches. 30

Option 2

Sanjay could sell Speed-e-Puds Ltd franchises to entrepreneurs who are interested in owning their own Speed-e-Puds Ltd franchised outlet. In return for an initial franchise fee and a monthly payment of 10% of revenue, franchisees would be allowed to use Sanjay's patented 'SuperWaffler'. Franchisees would also receive training and support for running their business and Speed-e-Puds Ltd would provide national advertising of the brand. 35

Sanjay produced a SWOT analysis for his business to help him with the decision provided in **Appendix C**. 40



Appendix A Speed-e-Puds Ltd financial data for last year (three branches)

Revenue	£750 000
Operating profit	£200 000
Cash	£20 000
Current ratio	0.2 : 1
Gearing ratio	90%
Total equity	£100 000
Average start-up cost per branch	£100 000

Appendix B Slushy machines

Initial cost of buying each slushy machine	£750
Contribution per slushy	95p
Slushy machine supplier's forecast of number of slushies sold per branch per year	3600
Increased electricity usage each year per branch	£3000

The machines are expected to have a useful life of five years.

Turn over for Appendix C



Appendix C Sanjay’s SWOT analysis of Speed-e-Puds Ltd:

Strengths: • strong branding • faster cooking and service times than rivals due to ‘SuperWaffler’.	Weaknesses: • reliance on Sanjay’s hands-on management style • lower gross profit margins than rivals.
Opportunities: • the dessert parlour market has grown by an average of 20% per year over the last five years • many cities have no specialist dessert parlour.	Threats: • healthy eating concerns remain a threat for all dessert parlours • demand is highly income elastic.

END OF SOURCES

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This question is based on the case study: Speed-e-Puds Ltd

A Level Paper 3, June 2024 insert. Printed in full on the pages just before this one (from page 86).

< CASE STUDY

03

Should Sanjay add ‘slushy’ machines to his three branches?

Use quantitative and qualitative information and calculations to support your answer.
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Case study: Hopps London (A Level Paper 3, June 2018 insert)

The full case study for Q5 (20 marks), which follows on the next pages. Read it before answering.

Source 1**Hopps London**

Jack Hopper started his business, Hopps Clothing Ltd, a year ago. Although he enjoyed the £25 000 salary he was earning working for a bank, he was frustrated by the routine work and was eager to test his entrepreneurial skills. With an eye for an opportunity, Jack took his interest in fashion and turned it into a business which he would run in his spare time. Hopps Clothing Ltd produces a small range of clothing, reflecting Jack's interest in 'urban style' clothing and accessories.

5

Jack's first attempt at a range of clothing consisted of three items – caps, beanie hats and T-shirts featuring his own Hopps London logo. Information on the costs and prices of these items is shown in **Appendix A**. Still living with his parents, Jack used their house and garage as his storage space and his bedroom as an office. This kept his fixed costs to a minimum.

10

As a new, small clothing brand, Jack had two distribution options:

- sell online only through his own website
- sell through retailers.

Jack needed to find a way to distribute his clothing to consumers. Finding a retailer that was interested in selling his clothes was difficult. He did receive a proposal from Debenhams, who demanded exclusive distribution rights and expected high retail margins, as shown in **Appendix A**. Jack felt that selling through his own website allowed better targeting of the 15–30 year-olds that made up his target market.

15

As a start-up business Jack found it hard to find manufacturers willing to produce the small batches he wanted to order. He did find a supplier who was willing to produce his designs in batches of no fewer than 200 units for each design. For the T-shirts, Jack ordered a total of 200 in a range of sizes, following advice from the supplier on which would be likely to sell best. As Jack's was a new business, the supplier was unwilling to offer credit, so Jack had to use his savings and an overdraft to pay for all the stock in advance. Once his supplier had delivered, Jack's parents' house was suddenly full of cardboard boxes containing products that Jack now had to sell. Jack's parents were not happy.

20

25

Jack knew that in order to build his brand, promotion would be critical in such a crowded market. His strategy used social media. Instagram was his preferred platform. He initially used friends, and even himself, to model his clothing. Sales did not happen as quickly as he had hoped. Chatting to other entrepreneurs, Jack found that celebrity endorsement can be critical if using social media. Jack used several 'lesser known' celebrity endorsements to generate sales – as major stars with thousands of followers charged too much for an endorsement. In his first year Jack spent a total of £1000 on social media. The items shown in the Instagram posts sold well. Jack had sold out of the most popular sizes and colours within a couple of weeks of each post. It took the rest of the year to sell the rest of his stock – and therefore return Jack's bank balance to positive figures.

30

35



Planning a new range

For his next range of clothing, Jack has decided to only produce T-shirts, themed around famous brands of his childhood. He plans to have the full range of designs manufactured and ready to sell at Crepe City, a major urban footwear and fashion fair in London, which takes place in 25 weeks' time. Jack plans to use network analysis to help him manage the process of getting everything ready in time for the launch.

Appendix B shows the activities Jack needs to complete before launching the new range, and the network diagram he constructed. Since constructing the diagram, Jack's designer has told him it will probably take 5 weeks to digitalise his new designs, while the website re-design is likely to take 14 weeks.

The future

Jack has really enjoyed starting his own business. He would love to turn it into a full-time job. However, he is not willing to do so unless he can earn the same amount of profit from the business as his salary at the bank.

If Jack quits his job, he plans to pursue a 3-year growth strategy involving:

- recruiting eight regional salespeople covering the whole of the UK to visit retailers
- recruiting a full-time website administrator
- recruiting a specialist digital marketing director
- renting a storage unit for inventory
- increasing his annual marketing budget.

In addition to carefully monitoring the work of his new recruits, Jack would spend time visiting potential suppliers, as well as working on new designs for clothing and managing the business's inventory and finances.

Jack recognises that the business would need to grow rapidly to achieve his objective of £25 000 profit but is concerned by the problems that growth would bring. However, he has unshakeable faith in the brand, and his designs, and his bank job is not getting any more interesting.

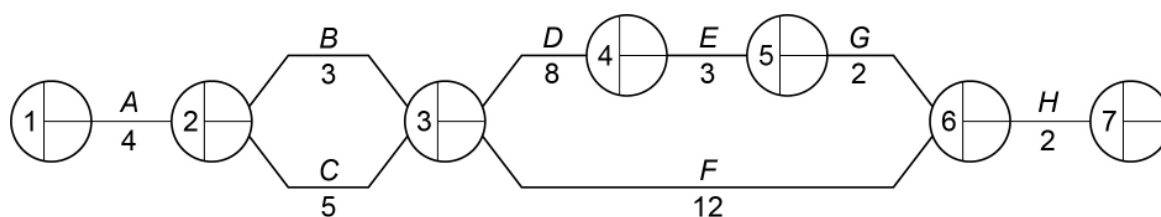
Appendix A Financial data for Hopps Clothing Ltd last year

	Cost per unit – paid by Jack to his supplier (£)	Price that Debenhams offered to pay Hopps Clothing Ltd (£)	Retail selling price (£)
T-shirts	9	15	24
Caps	7	12	20
Beanie hats	7	10	16

Other costs incurred:

- marketing costs of £1000
- £10 per month website fee
- bank account fee £10 per month.



Appendix B

Activity		Jack's original estimated duration (weeks)
A	Jack produces designs	4
B	Designer digitalises designs	3
C	Jack arranges a supplier	5
D	Manufacturing	8
E	Arrange and execute photoshoot for social media campaign	3
F	Website re-design	12
G	Social media campaign runs	2
H	Final preparations for product launch event at Crepe City	2

Source: Jack's own estimates

Appendix C

Forecasts for next year if Jack runs the business full time

Item	Expected annual online sales volume	Expected online selling price (£)	Expected annual sales volume through retailers	Expected price retailers will pay Jack (£)
T-shirts	2000	24	33 000	15

Additional information for next year if Jack runs the business full time:

Total fixed costs = £200,000

Variable cost per unit = £9

END OF SOURCES

This question is based on the case study: Hopps London

A Level Paper 3, June 2018 insert. Printed in full on the pages just before this one (from page 92).

< CASE STUDY

10

05

Considering both quantitative and qualitative factors, should Jack give up his job to become a full-time entrepreneur? Justify your answer.

[20 marks]

Do not write
outside the
box



11

Do not write
outside the
box

Extra space

Turn over ►



12

Do not write
outside the
box

20



13

0	6
---	---

Jack plans to grow his business rapidly over the next few years.
To what extent is it possible for businesses to overcome the problems caused by rapid growth?

[24 marks]

Do not write
outside the
box

Turn over ►



SUB-TOPIC 3.2.3 · 8 questions · 38 marks · lowest tariff first

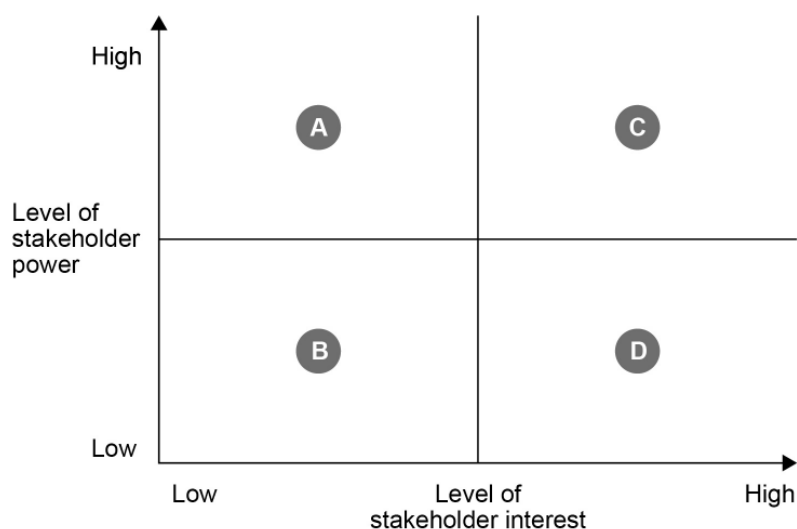
UNDERSTANDING THE ROLE AND IMPORTANCE OF STAKEHOLDERS

4

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box

0 3

Use the stakeholder map below to choose the stakeholder group that is the least likely to influence management decision making.



A A

☐

B B

☐

C C

☐

D D

☐

[1 mark]

0 4

A 10% increase in the price of a product causes a 20% fall in the quantity demanded. This relationship between the price and the quantity demanded of the product shows:

A Negative correlation and price elastic demand

☐

B Negative correlation and price inelastic demand

☐

C Positive correlation and price elastic demand

☐

D Positive correlation and price inelastic demand

☐

[1 mark]



0 4

IB/G/Jun17/7131/1



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.☐

0 4

IB/G/Jun20/7131/1



Do not write
outside the
box

4

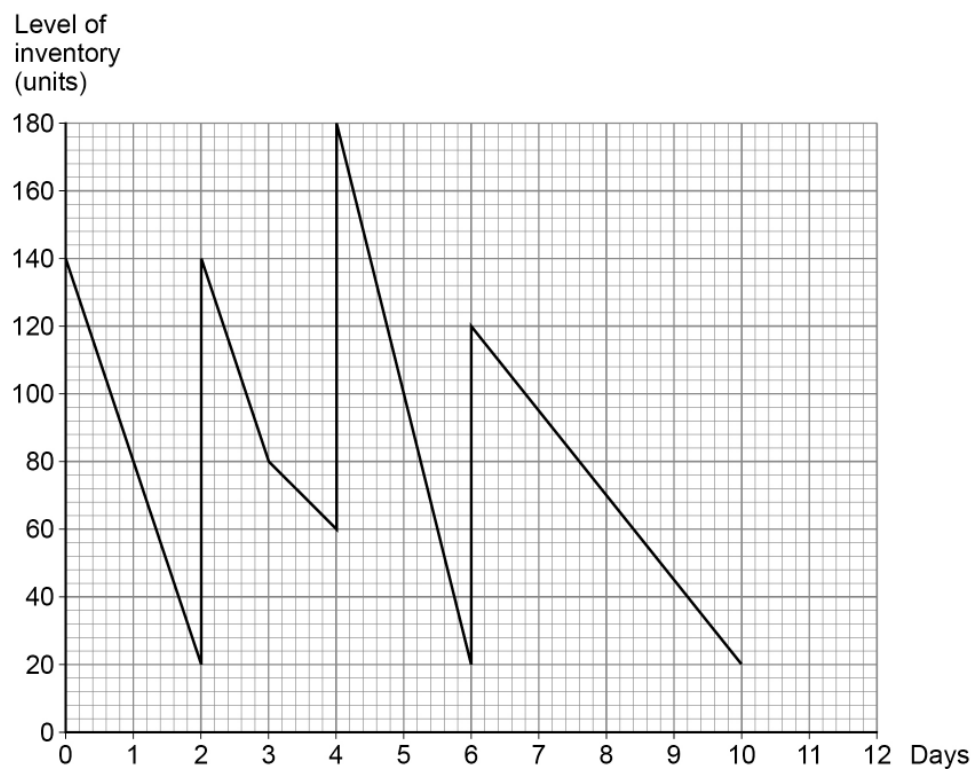
0 6

Which one of these stakeholders is least likely to have their needs satisfied by a company?

[1 mark]**A** Competitors☐**B** Employees☐**C** Shareholders☐**D** Suppliers☐

Do not write
outside the
box

Questions 7 and 8 are based on the diagram below.



0 4

IB/G/Jun22/7131/1



2

Do not write
outside the
box**Section A**Answer **all** questions in this section.Only **one** answer per question is allowed.

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

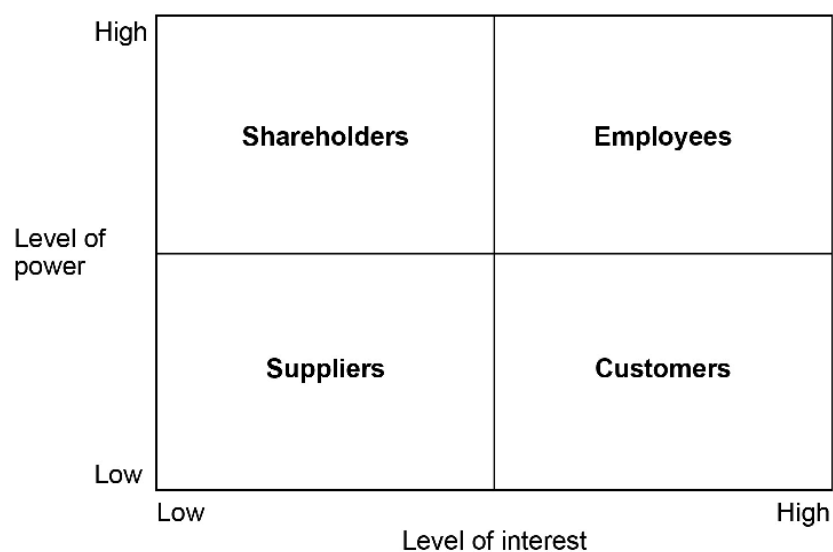
CORRECT METHOD



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 farmer takes over a retailer in order to sell its produce. This is an example of

A horizontal integration.☐**B** backward vertical integration.☐**C** forward vertical integration.☐**D** conglomerate integration.☐**[1 mark]****0 2****Figure 1** below shows a stakeholder map.**Figure 1:** Stakeholder map

0 2

IB/G/Jun17/7132/1



3

Do not write
outside the
box

For this particular business, which stakeholder group is most likely to influence this business' management decision-making?

A Suppliers

☐

B Customers

☐

C Shareholders

☐

D Employees

☐

[1 mark]

0 3

A business experiencing a lower level of capacity utilisation than usual may benefit because it

A reduces the average costs of production.

☐

B provides more time for maintenance and repair of machinery.

☐

C can increase employee morale, because employees feel more secure in their jobs.

☐

D represents a more efficient use of capital equipment.

☐

[1 mark]

0 4

The information below is an extract from a company's annual accounts.

- Current assets: £3 million
- Current liabilities: £2.4 million
- Non-current liabilities: £4.2 million
- Capital employed: £12 million

The company's gearing ratio is

A 35%

☐

B 250%

☐

C 20%

☐

D 5%

☐

[1 mark]



0 3

Turn over ►

IB/G/Jun17/7132/1



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

The managers of a business propose to retain all of its profit to finance automation of its production. This is most likely to cause conflict with:

[1 mark]

A employees and lenders.

☐

B employees and shareholders.

☐

C lenders and suppliers.

☐

D shareholders and suppliers.

☐

0 2

A business is able to reduce unit costs because of lessons learned throughout the period in which it has existed. This is known as:

[1 mark]

A economies of scale.

☐

B economies of scope.

☐

C synergy.

☐

D the experience curve.

☐

0 2

IB/G/Jun22/7132/1



13

03

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

Do not write
outside the
box**Simply Bake plc**

Palm oil is a cheap oil ingredient used in the manufacture of many everyday items. Production of palm oil often involves farmers clearing rainforests. The destruction of this habitat has led to the loss of many animal species, including half of the world's orangutans.

Powerful campaign groups with many members, such as Greenpeace and the World Wildlife Foundation, have highlighted the issue. As a result, consumers are increasingly aware of the environmental impact of using palm oil.

Simply Bake plc is a supplier of cakes to supermarkets, who then retail them as their 'own brand' products. For many years, palm oil has been an important ingredient in Simply Bake plc's products, allowing it to meet the demand for cheap food.

In 2018, a small campaign group, Action against Palm Oil (APO), criticised Simply Bake plc. APO had carried out a survey using a sample of 100 of its 400 members to represent the views of UK consumers. The survey found that 67% of respondents wanted the government to ban the use of palm oil.

High-profile media campaigns have increasingly drawn attention to the issue of palm oil production. By 2019, supermarkets had noticed increasing numbers of enquiries from their customers about palm oil and environmental damage.

Finding alternative ingredients is difficult and expensive, but in 2020 Simply Bake plc announced that it will have changed all its recipes to remove palm oil by 2025.

03.1

Explain why APO's survey findings may not represent the views of UK consumers.

[4 marks]

4
Turn over for the next question**Turn over ►**

1 3

IB/G/Jun23/7132/2



14

03.2

Explain how stakeholder mapping would help Simply Bake plc decide how it responds to criticism from APO.

[4 marks]

*Do not write
outside the
box*

4

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

The full case study for Q5 (9 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

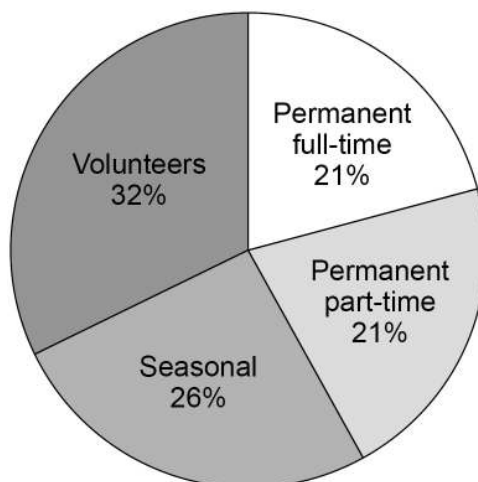
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers 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 107).

< CASE STUDY

5

0 5

Analyse why some stakeholder groups opposed HS's decision to open a city-centre hostel in Edinburgh.

[9 marks]*Do not write
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9

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0 5

IB/G/Jun18/7131/2



Case study: SSN Ltd (A Level Paper 3, June 2022 insert)

The full case study for Q5 (20 marks), which follows on the next pages. Read it before answering.

Rapid early success

Ten years ago, Bemí Agboola perfected her first commercial cybersecurity system. The innovative software used a totally new approach to protect against hackers' attempts to steal customer data from retailers' e-commerce websites. Though others have produced similar systems, Bemí's business (SSN Ltd) is now well established in the cybersecurity market. The company has branched out into other aspects of cybersecurity by designing and installing tailor-made security systems for large businesses. At the heart of the business remains Bemí's programming – protected, like any piece of software code, by copyright. 5

Bemí has shown a fearless approach to making major decisions quickly. She does not see the need for strategic planning, preferring to seize opportunities as they arise. As a result, SSN Ltd has kept up with the high rate of technological change that characterises the cybersecurity industry. Bemí's approach to decision-making has enabled SSN Ltd to experience a phenomenal growth in sales (**Appendix A**). One consequence of this growth has been the need to expand its workforce. Bemí has hired programmers, administration, marketing and sales teams, many straight from university. From simple beginnings, the business now rents an expensive head office in London and regional offices in New York and Beijing. With over 100 employees across its three offices, Bemí feels it is increasingly hard to monitor what is happening within the business. 10 15

Bemí remains determined to keep increasing the company's share of the highly competitive cybersecurity market and therefore spends heavily on promoting the business and its products. The objective is to raise SSN Ltd's profile among global business leaders who are her potential customers, as a complement to more direct methods of targeting them (see **Appendix B**). 20

Problems emerging

Despite its growth in revenue, the company has always had a very low operating profit margin. Cash flow has been a major problem in the last few months. In the past, SSN Ltd had found it easy to borrow money. Now its bank has stated that it is no longer willing to increase SSN Ltd's overdraft. Part of SSN Ltd's problem has been slow payment from its customers. Bemí is considering the use of debt factoring to improve its cash flow. The debt factor would charge a fee of 5% of any debt that is factored. 25 30

Everybody working for SSN Ltd knows that the business is very much controlled by Bemí. She owns 51% of the shares and makes all major decisions. Managers who want to succeed within the company tend to be those who can anticipate Bemí's wishes and implement her ideas. Within this power culture, Bemí uses a very 'hands-on' approach, taking a keen interest in the work of her programmers. Bemí tries to drop into each office frequently. This is a habit that some managers feel is based on an unwillingness to fully delegate decision-making to them. This has created an environment where some staff expect Bemí to check or even reverse decisions they make. 35

The future

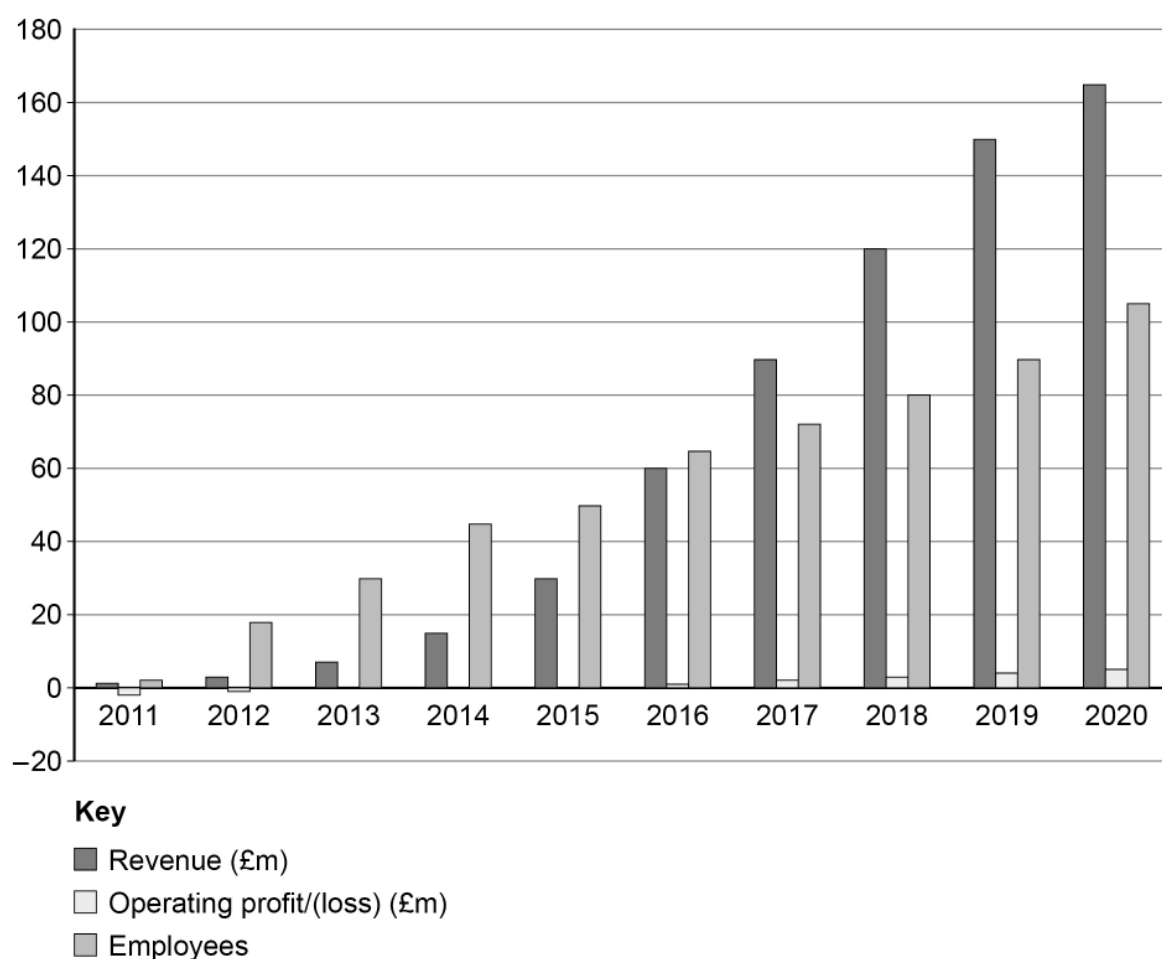
The business media often features stories about SSN Ltd. Its expansion has been exceptional, even in a market which continues to grow rapidly. During the last year, Bemí has been increasingly criticised for the way she has been running the business. 40

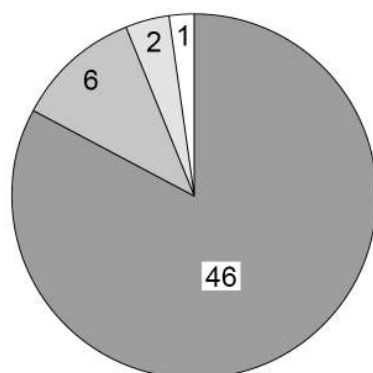


This has centred on what some consider to be excessive risk-taking. In recent days, several sources have suggested that a major competitor is preparing a takeover offer for SSN Ltd. These rumours have suggested that the competitor may be prepared to pay £50m for SSN Ltd, primarily to acquire the copyright to SSN Ltd's software. Analysts say that this competitor is likely to shut down SSN Ltd, terminating the contracts of all staff but preserving the brand name and the software. 45

Detailed examination of SSN Ltd's financial information (**Appendix C**) suggests that the business may be close to failure. 50

Appendix A SSN Ltd historic data



Appendix B SSN Ltd breakdown of 2020 promotional expenditure (£m)**Key**

- Sponsorship of sporting and arts events
- Advertising in trade magazines and on websites
- Face to face personal selling
- Direct electronic communications

Appendix C**Table 1 SSN Ltd balance sheet (statement of financial position) as at 31/5/21**

	£m
Non-current assets	25
Inventories	0.5
Receivables	16.5
Payables	(18)
Overdraft	(5)
Non-current liabilities	(18)
Net assets	1
Total equity	1



Table 2 SSN Ltd income statement for year ended 31/5/21

	£m
Sales turnover (revenue)	165
Cost of sales	(50)
Expenses	(110)
Operating profit	5
Net finance cost	(4)
Profit for the year	1
Dividends	(3)
Retained profit/(loss)	(2)

END OF SOURCE

This question is based on the case study: SSN Ltd

A Level Paper 3, June 2022 insert. Printed in full on the pages just before this one (from page 110).

< CASE STUDY

05

To what extent would the reactions of SSN Ltd’s stakeholders to the possible takeover be likely to lead to conflict between those stakeholders?

[20 marks]

Do not write
outside the
box



15

*Do not write
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box*

Extra space

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16

Do not write
outside the
box



17

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box

20

Turn over ►



Question 04 · Section A objective test question

Correct answer: A

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



Question 08 · Section A objective test question

Correct answer: C

(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 01 · 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: D

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



Question 03 · Section A objective test question

Correct answer: D

from impoverished leader to team leader.

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



Question 05 · Section A objective test question

Correct answer: C

Statement 1 is false. Statement 2 is true.

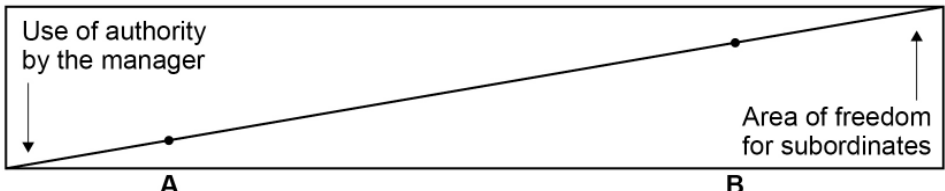
(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



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

1 3 Managers' leadership style in a business is shown by the Tannenbaum and Schmidt diagram below. The managers change their leadership style from point A to point B.

Explain **one** benefit of this change to the business.



[4 marks]

Marks for this question: AO1 = 2 and 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	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain **one benefit to a business** of changing the style of management from manager centred to subordinate centred.

Indicative content:

- the employees are given a greater level of responsibility which may make them feel more trusted in the business which may lead to greater levels of motivation
- the subordinate employees within the business have more control over the decision and therefore gain experience and learn to develop allowing productivity and/or quality to improve
- The business may benefit from the manager getting more consultation with those staff who are dealing with issues day to day and therefore the manager is better informed in the decision making.

NB// valid lines of argument should be linked to benefit to the business

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

1	2	Explain why managers may change their style from that shown at A to that shown at B on the Tannenbaum and Schmidt diagram below.
		[5 marks]

Marks for this question: AO1 = 1, AO2 = 3 and AO3 = 1

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

The focus (demands) of the question:

- The reasons why managers may change their style from A to B on the continuum (to develop a logical explanation as why a manager/managers might change style from one where a significant amount of freedom is given to subordinates to one based on a more authoritarian approach). Focus on reason or reasons not a description of theory / model

Further guidance:

- L1: likely to be just descriptive (for example, showing some limited understanding of points A & B / offering a simple statement of a reason to change)
- L2: likely to show a good understanding of points A & B in relation to the TS model (max 3 marks) linked to a reason to change (4 marks) or to show some understanding of points A & B in relation to the TS model linked to a reason to change (max 3 marks)
- L3: likely to be a developed explanation as to why managers might change their style from A to B on the continuum



Indicative content may include:

- Style B involves more control by the superior of the subordinate than style A
- Managers may move from A – B on the continuum if employees are new or unskilled, and need guidance by the manager.
- Managers may also move from A-B on the continuum if there is an emergency situation and may need to take control of the situation and guide the employees.



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

1	5	A business has a manager with a 'country club' style of management on the Blake Mouton grid. It replaces this manager with one who has a 'produce or perish' style.
		Analyse one impact this change could have on the motivation of the business's employees. [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 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.	1–2

The demands of the question are:

- analyse one impact a change from a country club manager to task manager could have on motivation of employees.

Indicative content:

- the less people-driven manager may demotivate workers within the established business as they feel less valued and their experience and expertise is taken more for granted
- the more task-driven manager may motivate some workers to produce at higher rates as they focus on the task in hand which they are already established and experienced at.

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

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

1	5	Analyse how an autocratic leadership style may be useful for a business that is growing quickly.
		[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 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.	1–2

The demands of the question are:

- identify feature(s) of an autocratic leadership style
- analyse how this style of leadership might prove useful
- for a business that is growing quickly.

Indicative content:

- an autocratic leader tells subordinates what to do
- autocratic leadership can lead to fast decision making because there is no consultation or discussion with subordinates. The leader has the solution and instructs others what to do
- if the business is growing quickly there will be rapid change; autocratic leadership will enable the business to respond to this change and make decisions in a timely manner. Autocratic leaders can reduce delays and uncertainty providing clarity to employees about the direction of the business
- businesses that are growing are likely to be hiring new workers and evolving their operating processes. An autocratic leadership style will ensure that a growing workforce has one single source of clear information and instruction, to reduce confusion and maintain a consistent message about how to operate.

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

0	4	The original small factory was described as being run using a team management approach on the Blake Mouton grid. Analyse how this team management approach might have led to the judges' comments at the 'award ceremony' (lines 31-34). [9 marks]
---	---	--

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

Level	The candidate 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 focus of the question is on:

- understanding of the Blake Mouton team management approach
- explaining the link between the team management approach and the comments from the judges.

Indicative content may include:

- Team management approach may have led to a shared vision and employees motivated to help the business succeed
- Relevant aspects of HR performance could be motivation; *low labour turnover*; *high level of worker engagement* and *a willingness to work flexibly* (each italicised point is one flagged by the judges).
- Though it is **not** necessary for a good answer, if used, the most relevant motivational theorists (Herzberg; Maslow) could help link the leadership / management through the motivation of staff to HR performance.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

2	0	Managers in a business have a range of leadership styles.
		Analyse how different leadership styles might impact the effectiveness of a strategy to decentralise this business.
		[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 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:

- analysing how different leadership styles can impact on outcomes in a business
- assessing the differences in these outcomes in the context of decentralisation of a business

Indicative content:

- a team leader or country club leadership style requires involvement of a wide range of staff and works well with delegated power, such as decentralisation. Similarly, subordinate-centred leadership works better with delegated power
- leadership styles with low concern for people, focus on top-down management with little delegation. It tends to work best in centralised structures. Similarly, manager-centred leadership works more effectively in centralised structures
- laissez-faire or country club leadership will work well if subordinates are keen to become involved (eg through a decentralised structure) but is unlikely to succeed if subordinates are not able or prepared to take decisions because authority is not decentralised
- decentralisation passes responsibility away from the centre of the organisation, to take advantage of local skills and knowledge. This delegates responsibility down the hierarchy and is more likely to be successful if employees are empowered through a more democratic form of leadership
- decentralisation leads to greater empowerment for local managers. However, its success will



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

depend on the willingness to show trust by providing resources and encouraging managers to use delegation also

- decentralisation reduces bureaucracy from the centre (headquarters) of the business. However, where customers expect consistency it may mean a loss of efficiency unless autocratic leadership is used
- decentralisation should lead to more flexibility as the decentralisation process brings decisions closer to the customer; this requires a laissez-faire or democratic leadership if employees have autonomy in their dealing with customers.

NOTE

The question does not specify a particular style of leadership. The indicative content in the mark scheme is based mainly on Tannenbaum & Schmidt and Blake Mouton. However, other relevant theories of leadership should be credited, where used appropriately.

For example:

- according to Tannenbaum and Schmidt, subordinate-centred leadership is likely to be more compatible with a decentralised structure. Therefore, decentralisation will be most effective if a 'share' approach is used. Furthermore, a 'consult' approach will provide better results than 'selling' which itself will be more effective than 'telling'
- Blake Mouton would suggest that an approach that shows high concern for people and production – a 'Team leader' or 'Sound leader' approach – would be most compatible with decentralisation, with an 'impoverished' or 'indifferent' leader likely to lead to the poorest level of performance.

NOTE

A L3 response does NOT require consideration of more than one style of leadership, but does require two separate effects. These two effects may relate to two different circumstances (but may also relate to different effects arising from different leadership styles).

Further Guidance

Award a maximum of 5 marks for an answer that just focuses on the effect of leadership styles on 'outcomes', with no reference to decentralisation.

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2021

2	0	Managers undertake a number of roles. Analyse how the reviewing role of a human resource manager can improve the performance of the workforce.
		[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 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:

- examining the benefits received from managers' role of reviewing
- in the context of the human resources function.

Indicative content:

Reviewing allows managers to:

- Monitor objectives and assess whether they are retaining the requirements of SMART objectives. For example, updating a target retention rate in response to changes in local demographic changes.
- Assess the effectiveness of strategies that have been implemented and the relative success of different tactics that have been used to achieve the aims of HR. Reviewing low levels of employee motivation might lead to a change from financial to non-financial methods of motivation.
- Identify poor performance and take remedial action, such as retraining schemes.
- Using benchmarking to identify examples of excellent HR practice that can be used more widely in the business.
- Use SWOT analysis to detect changes in strengths, weaknesses, opportunities and threats, such as anticipating HR policies before new legislation makes it compulsory.
- Monitor and control activities of subordinates in order to improve their efficiency; such as using staff appraisal to support under-performing employees.



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2023

0	2	3	The role of a manager has different elements.
			Analyse the impact of the increase in homeworking by office staff on the way that their managers fulfil their role.
			[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 show understanding of the role of managers
- to analyse how more homeworking may affect way in which managers fulfil their role
- to apply this to the context of office work.

Indicative content:

- the role of a manager includes: setting objectives, organising, motivating, communicating, measuring performance and developing employees. Homeworking may create a distance between the manager and the employees. The role of manager in principle will stay the same, but the methods employed to fulfil the roles may change
- organising – managers may find some aspects of organising staff to potentially be more difficult if staff are away from the office, eg loss of face-to-face contact and building relationships. Organising may be illustrated with examples such as covering for sickness absence, rotas, holidays
- motivating – the office environment could be a strong motivator of staff, eg social aspects. The manager may now need to find ways to replicate this and motivate staff in other ways, eg quizzes over Zoom
- communicating – traditionally face-to-face contact may be seen as vital in communicating both formally and informally. Software changes the processes and methods of communication, these will not be the same



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2023

- measuring performance (monitoring) – there are methods to use technology to monitor activity of staff and measure performance even remotely, but such methods will be very different from those traditionally used. So, managers may have to learn skills
- developing employees, face-to-face relationships may help staff development, eg in identifying who to offer training opportunities to, homeworking may mean this needs to be a process.

Expect there to be a clear link between points made and specific roles and/or the impact on how the manager then fulfils their role.

Allow other relevant arguments.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2021

0 2	AM plc has a 'produce or perish' style of management.
	Analyse how this may have caused the performance data for its Chinese factory to differ from the average for similar factories in China, as shown in Appendix A . [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:

- shows an understanding of a 'produce or perish' style of management
- links 'produce or perish' style of management to the data provided in Appendix A.

Indicative content:

- A 'produce or perish' style of management is one where management focus exclusively on production with no concern for people. The term was coined by Blake and Mouton.
- Unit costs are a little lower than other factories as a result of higher levels of productivity, caused by the 'produce or perish' style. However, given the significantly better than average productivity performance unit costs might be expected to be even lower. It is likely that quality problems and the high labour turnover are nearly negating the downward pressure on unit costs caused by higher than average productivity.
- Productivity is higher than average. This will be a direct result of management's exclusive focus on productivity. Supervisors were paid a bonus according to the output per worker figures for their section.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2021

- Labour turnover is likely to be high due to the way work is arranged – a high division of labour and one small repetitive task – clearly focused on productivity. In addition, actions prompted by the production-driven bonus scheme for supervisors led to 'breaks were cut and shifts extended' also contributing to the very high labour turnover.
- Defect rate may well be the result of production focus with employees 'driven to work faster' and 'supervisors were paid a bonus according to the output per worker figures for their section' placing volume as opposed to quality at the top of the agenda. Furthermore, tired workers make more mistakes, so 'breaks were cut and shifts extended' – a clear result of the focus on production will have contributed to the high defect rate
- Accept other relevant arguments.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2023

0	6	Zoe is considering employing a manager with a 'produce or perish' style of management.
		To what extent is this the right management style for BB to become more successful?
		[16 marks]

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 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 which is well developed and is applied effectively to the context - 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 and is applied to the context - 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 and with mainly descriptive application to the context - 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 2023

The demands of the question focus on:

- analysis and judgement of the need to have a manager with a produce or perish style of management for BB to be successful
- a focus on a judgement related to which style of management is more likely to achieve more success.

Indicative content may include:

- as productivity has been an issue for BB there should be a focus on productivity and the tasks to be completed
- the produce or perish approach means fast decision-making, this may suit a market such as the balloon industry as it is growing rapidly
- this type of manager is less likely to discuss issues with the workers as these are often individual/independent/autonomous in nature so they are unlikely to consult with workers when making decisions as they are not democratic; how will the employees react to this style at BB?
- what style are the workers used to? Zoe believes she is a 'country club style' manager, which is a very different approach to the style suggested
- productivity has reduced and therefore a more direct/autocratic style manager would be the best suited manager to sort this issue
- the complaints/reviews problem needs tackling – has Zoe become too laid back with her management style which has led to these issues?
- how is success judged for BB? For example, it has had good reviews and a price elasticity of demand of -0.5 . This could be deemed as successful already, so why change the management style?
- BB pay the highest wages compared to industry/market average so employees may not be motivated by money to work productively – does it need a change in management style to do this? It could make the employee motivation worse.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2019

0	5	To what extent does the information provided support the view that Mike is an effective leader?	[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 and is 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 and with 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



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2019

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
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The demands this question are:

- makes a judgement on Mike's effectiveness
- supports judgement using information provided.

Indicative content:

Mike was effective because:

- HR data (alongside operations data) suggests staff are loyal, motivated and effective
- Mike is described as charismatic and inspirational
- Mike has led the company through 30 years
- clear willingness to make changes (eg lean production introduced soon after threat identified, solar panels idea)
- company is still profitable.

Mike was ineffective because:

- he has failed to deal with the threat of competitors effectively
- financial performance is declining
- some directors have lost faith in his ability to resolve the firm's problems
- the company may be suffering from strategic drift – Mike has failed to adjust strategy to suit external environment.

Evaluative themes:

- may pick up on how Mike's performance can be said to have diminished in recent years – he was an effective leader, he may no longer be effective in leading DWS Ltd
- may distinguish between different leadership skills – still inspirational, willing to take decisions (lean production, works council), but decisions on corporate strategy may have been wrong – in failing to spot, or deal effectively with competitors.

Further guidance**Approaches are likely to be:**

Excellent: balanced response – effective use of a range of information (eg. 2 appendices or 1 appendix plus other information) plus able to make an overall judgement on extent of effectiveness of Mike's leadership

Good: one or two well developed arguments– effective use of information (eg at least 1 appendix) – a balanced judgement on extent of effectiveness of Mike's leadership

Reasonable: two arguments with some use of information or one well-developed argument but judgement may lack balance, but will have support

Limited: one argument with some information provided judgement will lack effective support

Weak: some relevant points made

NOTE: Further guidance on data on final page of this mark scheme



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

0	5	Whereas Martin delegated most decisions, Elaine will make decisions and then tell managers what they have to do.
		To what extent is this change in leadership style likely to help the company achieve its objective of improving profitability?
		[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 and is 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 and with 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



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – 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.	1–4
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The demands of this question are:

- demonstrates a clear understanding of both ‘consultative and ‘tell’ leadership styles (explicit reference to Tannenbaum and Schmidt is not required)
- analyses the impact of a change of style on Sunport PLC’s ability to improve profitability
- makes a justified judgement on how helpful the change to a sell style will be to Sunport PLC in achieving its new objective.

Indicative content:

- Elaine’s style of management involves far greater use of the manager’s authority than Martin’s style. This may allow for quicker decisions, as well as moving the business towards a more common approach throughout its different regional and product divisions. This may enable some cost-cutting, boosting margins
- change tends to rely on a clear vision for the future – Martin’s vision was clear, will Elaine be able to create a vision as effectively, given that the pursuit of profit may be less likely to inspire staff than Martin’s vision? If employee engagement falls, this may make the objective harder to achieve
- as some of Elaine’s changes are unlikely to be popular with employees, her style may be necessary in order to overcome potential resistance to change from staff (especially when handling the removal of some duplicated activities). If costs are to be cut, her style may make this happen quicker, boosting margins
- the change in style may have a demotivating effect on staff, especially managers used to being able to contribute to the decision-making process – this may decrease productivity, raising unit costs and in fact damaging profitability.

Evaluation

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on boosting profitability rather than a general judgement on which is a better style of leadership.

It seems likely that in order to pursue Elaine’s strategy, her style may be needed, although it would be valid to question whether her strategy and style would lead to short-term improvements that are eroded in the long-term if employee engagement falls.



Question 09 · Section A objective test question

Correct answer: B

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



Question 01 · Section A objective test question

Correct answer: C

Net gain

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



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2021

17	.	1	Referring to Figure 3 , calculate the expected value and the net gain of Option 1. Show your working.
			[3 marks]

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

Correct answers to Option 1 – Net gain = Minus £3m (or (£3m):

Broken down as follows:

Option 1 – **Expected value** = $[0.6 \times 20] + (0.4 \times -25) = 12^* - 10^* = \underline{\text{£2 million}}$ (2 marks)

* Award **1 mark** for one correct element: **EITHER 12 OR –10**

Option 1 – **Net gain** = £2m – £5m = Minus £3 million or (£3m) (1 mark)

OFR applies. For example, if a student answer shows $12 + 10 = 22$, then award 1 mark for the 12 which is a correct element. However, if they then show the net gain as 17 ($22 - 5$) then this is correct using the OFR and so a 2nd mark should be awarded for the final calculation.

17	.	2	Using these calculations and the other data in Figure 3 , state which one of the three options the business should choose.
			[1 mark]

Marks for this question: AO2 = 1

Net gains are:

Option 1: (£3m)

Option 2: (£1m)

Option 3: Zero

Best choice = Option 3 OR 'Do nothing' (1 mark)

Award 1 mark for the above answer, even if no working is shown.

Note

OFR applies. If a student provides an answer for Option 1 that gives a positive net gain then award 1 mark for a choice that is consistent with the own figure rule. That is, they should be given 1 mark if their choice has the highest net gain according to their calculations.

Question 03 · Section A objective test question

Correct answer: C

expected value minus the initial cost

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



Question 09 · Section A objective test question

Correct answer: A

0.04

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



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

0	3	Explain one ethical issue that the managers needed to consider when starting 'Our Place'.
		[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 demands of the question are

The ethical aspects of business decisions. The focus needs to be on **one** ethical issue specific to this case.

Indicative content may include:

- Ethics refers to 'right or wrong'
- the 'Our Place' branded meeting rooms are largely staffed by staff on flexible contracts, is this fair and how might this affect management of the business as it is different from other staff
- Parkside Theatre is an iconic historical building – development needs to be mindful of this to protect heritage, new project will remove historical features
- the owners/directors are aware of the responsibility of managing such a building, but have to balance this with need for a return on investment.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2021

17	.	1	Referring to Figure 3 , calculate the expected value and the net gain of Option 1. Show your working.
			[3 marks]

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

Correct answers to Option 1 – Net gain = Minus £3m (or (£3m):

Broken down as follows:

Option 1 – **Expected value** = $[0.6 \times 20] + (0.4 \times -25) = 12^* - 10^* = \underline{\text{£2 million}}$ (2 marks)

* Award **1 mark** for one correct element: **EITHER 12 OR –10**

Option 1 – **Net gain** = £2m – £5m = Minus £3 million or (£3m) (1 mark)

OFR applies. For example, if a student answer shows $12 + 10 = 22$, then award 1 mark for the 12 which is a correct element. However, if they then show the net gain as 17 ($22 - 5$) then this is correct using the OFR and so a 2nd mark should be awarded for the final calculation.

17	.	2	Using these calculations and the other data in Figure 3 , state which one of the three options the business should choose.
			[1 mark]

Marks for this question: AO2 = 1

Net gains are:

Option 1: (£3m)

Option 2: (£1m)

Option 3: Zero

Best choice = Option 3 OR 'Do nothing' (1 mark)

Award 1 mark for the above answer, even if no working is shown.

Note

OFR applies. If a student provides an answer for Option 1 that gives a positive net gain then award 1 mark for a choice that is consistent with the own figure rule. That is, they should be given 1 mark if their choice has the highest net gain according to their calculations.



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

1	2	A manager is considering whether to launch a new, innovative product. Explain one limitation of using a decision tree to make this decision. [4 marks]
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Marks for this question: AO1 = 2, AO2 = 1 and AO3 = 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.	3-2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

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

- demonstrate knowledge and understanding of decision trees (AO1)
- be applied to the context of a company launching a new innovative product (AO2).

Decision tree is a mathematical model using risk to help a manager make a decision.

Possible responses:

- estimates of the sales of the new product and associated costs could be difficult and probabilities will be based on limited data as this is an innovative product
- as this is a one off product launch the use of an average is not very useful
- must consider any biases in the data from use of pre-existing product information in a new product launch
- only focuses on quantitative data

Further guidance

Likely responses for level 3 will understand the limitations of using decision trees, clearly identifying a limitation and linking it to this context of innovative products.

A level 2 response is likely to understand limitations of decision trees and clearly identify and explain a limitation without linking fully to the context of innovative products.

A level 1 response is likely to show just a limited explanation of the issues around decision trees.

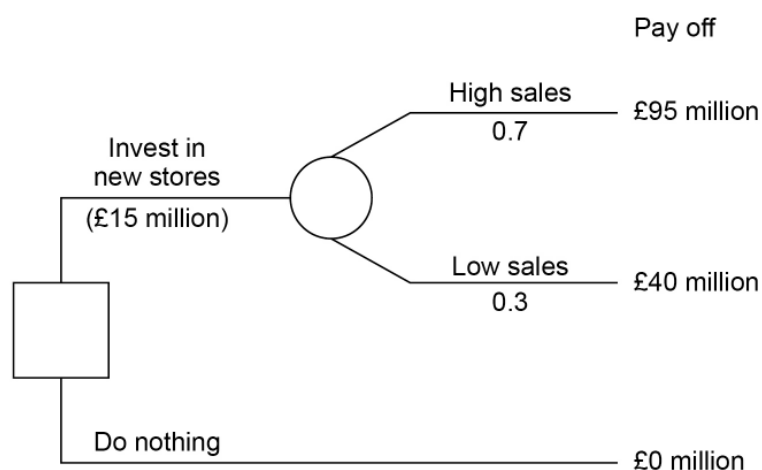
This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



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

1 4

A business is deciding whether to expand through investing in new stores. The business produces the decision tree below.



Calculate the net gain to this business of investing in new stores.

[4 marks]

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

The demands of the question are:

- calculate the net gain from the decision tree of investing in new stores.

Indicative content:

Answer = £63.5 million (**4 marks**)

Broken down as follows:

$0.7 \times £95 \text{ million} = £66.5 \text{ million}$ (**1 mark**)

$0.3 \times £40 \text{ million} = £12 \text{ million}$ (**1 mark**)

Expected value = £66.5 million + £12 million = £78.5 million (**1 mark**)

Net gain = £78.5 million – £15 million = £63.5 million (**1 mark**)

Alternative methods can be credited.



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

0	5	The board of directors insisted on Lorna using scientific decision making techniques before investing in 'Our Place'.
		Analyse why.
		[9 marks]

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

Level	The candidate 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

The reasons for using a scientific approach to business decision-making in this context.

Indicative content may include:

- previous projects had 'some' success – so some failed, hunch-based (intuition) therefore not always right in past
- basing decision on data may be seen to decrease risk as opposed to hunch/intuition-based
- the directors are being asked for investment/significant investment and would want some reassurance and data may help provide this. The directors are also said to want a return on investment
- this is a new venture – different market so data may help to improve understanding of this new market – do Lorna and directors have experience for a hunch/intuition-based decision in this case
- there is strong competition locally in this market – increasing the need to get the approach right.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2024

0	4	PE Ltd is deciding whether to enter a new market by targeting individual households directly.
		Analyse how PE Ltd might benefit from using a decision tree when making this decision.
		[9 marks]

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

Level	The candidate 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 focus on:

- analysis of how a decision tree can be useful for PE Ltd
- to make the decision to enter this new market.

Students can analyse benefits and/or drawbacks of using a decision tree for this decision.

Indicative content may include:

- enables PE Ltd to see the possible outcomes of the decision to enter this new market, eg the likely returns from targeting families
- producing a decision tree means PE will need to consider the probability of success or failure in targeting individual households; an understanding of risk will be important when assessing whether to enter the market
- PE Ltd can compare the possible financial implications of entering this market with alternatives
- a decision tree enables PE Ltd to calculate the net gain if the decision was repeated many times; in this case it is a one-off decision
- the figures used in a decision tree are estimates/predictions so they may not be accurate. When entering a new market, the business may not know it as well and so estimates may be unreliable.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

1	8	The Marketing Manager of a business is considering whether to choose Option A or Option B. Option A: Introduce a new product. Option B: Use a new promotion for an existing product. Figure 4 shows the results of a decision tree for these options and the 'do nothing' option. Based on this decision tree, the Marketing Manager chooses Option A. Using Figure 4, analyse why choosing Option A might not be the best decision.
		[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 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 this question are:

- to examine the data in the decision tree
- to analyse the possible reason/reasons why Option A, the option with the highest EV and net gain, should NOT be chosen.

Indicative content:

- recognising that Option A is very high risk, with only a 20% chance of success
- arguing that Option B is a lower risk option, with a 60% chance of success (only 40% chance of



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

failure)

- assessing risk v net gain. Option A net gain is +£3m but 0.8 chance of failure; Option B is +£2.4m and only 0.4 chance of failure
- identifying that option C has no risk (but no profit or loss)
- Option a has a higher initial cost (adding to risk) in comparison to option B
- Net gain from option B is greater than initial cost (£2.4m > £2.0m) whereas for option A the net gain is much lower than the initial cost (£3m < £10m). Noting that option B is likely to provide a better return.
- Product development is usually more risky than new promotion (Ansoff)

Further Guidance

If an argument is solely based on Ansoff or related ideas then award a maximum of 4 marks. More marks can be awarded if other elements of the answer are included.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2025

0	1	3	Using Appendix D and the other information available, analyse why SCF chose Option 2 .
			Your answer should include quantitative and qualitative information.
			[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:

- interpret the quantitative information in the decision tree
- analyse further qualitative reasons why option 2 may be chosen given SCF's particular circumstances.

Indicative content:

- Option 2 predicts a greater net gain (£3.6m, compared to a net gain of £2.1m for Option 1 or £1.5m more)
- there is a 40% chance of a significant gain of £30m
- efficiency has been falling in the existing UK site and so a new factory offers an opportunity to upgrade production and address this issue
- SCF has relatively low gearing (27.5% in 2024) which has been falling since 2022 and so Option 2's higher initial capital outlay may be seen as affordable
- SCF is expecting falling sales and profit margins and so may feel the potentially high reward is worth the higher risk
- the owners have appointed a leader who has stated that she wants to achieve ambitious growth and so Option 2 represents the best chance of achieving this
- a factory in Spain may allow the company to adjust to higher predicted growth in the EU market and reflect changing customer buying behaviour.



1	5	.	2	Sam is trying to decide between two options. Which of the two would you choose? Justify your choice. You should support your answer with calculations using Figure 1 .
[16 marks]				

16 mark evaluative questions: 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 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	1–4



	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.	
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The focus / demands of the question:

- The calculation of the decision tree and the options available to Sam ('support your answer with calculations using Figure 1')
- Selecting the option Sam should choose using these findings and justifying the choice. A decision is required so a logical recommendation based on comparison of the 2 options (which would you choose and why?) supported by calculations from Figure 1
- A logical / justified overall judgement as to which of the options should be selected (**focus**) based on competing arguments (**range / depth**)
- **Balance** from considering both options (argument/counter argument)

further guidance:

- if no calculations from figure 1: such a response is likely to be reasonable at best (L2)
- if a response is based **entirely** on figure 1: such a response could get to L3 (good) – for example
 - works out net gains + offers a simple judgment (e.g. £88 000 exceeds £25 000 by £63 000 so choose Scotland option) – a reasonable response (L2 top)
 - works out net gains + offers additional calculations based on figure 1 (e.g. rates of return 44% c/w 62.5%) and/or offers some wider judgments relating to the calculations / financial estimates (e.g. size of initial outlay / risk of loss) – a good response (L3)
 - for such an approach to achieve excellence and access L4: response should go on to offer broader judgements / perspectives relating to wider issues (e.g. Sam's attitude to risk / geographical distance / the challenge of a new market segment / the provenance of financial estimates) leading to a clear / well supported decision

Indicative content may include:

- Calculations:
 SCOTLAND: $(0.6 \times 500,000) + (0.4 \times -30,000) - 200,000 = £88,000$
 WEATHER: $(0.9 \times 70,000) + (0.1 \times 20,000) - 40,000 = £25,000$

Scotland has a higher potential net gain but it requires more funding, it is a lower rate of return and it is higher risk in that it might fail and lose £30,000.

Scotland is also risky because:

- Sam is quite hands on; how will he manage both camps- quite far apart
- no information on the "friend" and how reliable these financial estimates are- would want more information on this. Market research seems limited- asked "a few local families"; unlikely to be reliable



-
- this is a new market segment (families v corporate team building); does he/do they know enough about it? May be competing against a wide range of options e.g. cinema visits.
 - not building on brand name- different segment, different product required (e.g. different types of activity may be needed) and different location.
 - It maybe that extending the facilities at the existing site seems more sensible but Sam may be keen to grow the business; he may see this as spreading the risk by offering more services to more segments.

The evaluation may consider:

- Financial issues e.g. ease of funding v returns
- Sam's attitude to risk
- Sam's desire to build on existing strengths



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

0	7	Was HS right to sell the three hostels in 2016? 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:

- the decision to selling three hostels
- the reasons for this decision
- the reasons why it might be argued HS should not have sold these three hostels
- an overall judgement of whether this decision was a right one.

Indicative content may include:

- the decision to reduce capacity by closing three hostels – this raised capacity utilisation from 52.8% in 2016 to 66.1% in 2017 and low capacity utilisation has been seen as a problem
- reducing capacity by 30 000 across 3 hostels has reduced fixed costs by £225 000 and across the time period profits rose by £318 000 (using answer to Q2)
- the sale of the three hostels raised £1.5m – finance that would not otherwise have been available. This was reinvested – in renovations and promotion – which may have contributed to rising capacity utilisation and revenues, though sales have continued to fall
- fixed costs have reduced
- prices were increased from £23.50 to £25.00 at the same time – and this supported by the promotional campaign and refurbished hostels will have contributed to rising revenue and profits not just the sale of the three hostels
- favourable changes to finance and occupancy are at a time of falling overall demand – this could be seen as positive and justifying the change – despite some fall in overall stays
- the aim of the organisation is to encourage the love of the countryside – the closed hostels were offering a more remote experience and this may have been useful in fulfilling the spirit of its mission statement. Has performance therefore deteriorated?
- the £1.5m windfall is a one off and as a result the improvements in performance may be short term only– what might happen in the longer term? Will the financial improvements be maintained in the longer term? Can it fund further refurbishments and promotions?
- whether this was a right decision is the key to an excellent response. This may depend on your perspective, eg right as a trustee? A member?
- it may be that it was not right in itself but it enabled HS to try to boost demand and so was justified; what would have happened if it had not sold them?

Approaches likely to be:

- supported judgement related to the merits of the decision to sell – based on prior analysis and focused on the question set will be needed for a good or excellent response
- an excellent response will be well rooted in the case and clearly consider the relative issues, eg whether the funds raised secure future success and what may have happened if they had not been sold – after all they were under used, but does that matter?



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

17	.	2	Recommend whether Refurb-iture Ltd should choose garden furniture or office furniture for its expansion.
			Justify your answer.
			[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 - 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 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 why Refurb-iture should choose a garden furniture product for its expansion
- analyse reasons why Refurb-iture should choose an office furniture product for its expansion
- make a decision about which product is most suitable for Refurb-iture.

indicative content:

- the garden furniture has a much higher price point and a higher CPU (£1380 c/w £128) which might allow a much more significant increase in profitability for the business (which is a key aim set for Veronica by the shareholders)
- as the garden furniture option is based on 100% eco-friendly materials it is a much better fit with the current market position ('reclaimed & recycled materials') of the brand and should appeal to their current base of wealthy customers... this should maintain customer satisfaction more and lead to repeat purchases
- the garden furniture option has far fewer competitors so allows the business to keep a distinct brand and niche product... this may allow them to build sales in this market and increase profitability
- however, the market value of the office furniture option is much greater (£650m c/w £12m) and offers the possibility of a significant amount of revenue despite a potentially smaller share (a relatively smaller share of a much larger market could be worth a significant amount of revenue)
- as the market size is much larger for the office furniture, the market opportunity appears to be bigger which may allow the business to make rapid sales growth as required by the shareholders' objectives
- the office furniture start-up costs are much lower and may provide an opportunity for larger operating profits on the items overall and will also allow them to buy items at discounts if they sell in large quantities
- the office furniture market has seen a significantly greater market growth rate in the last 10 years and, therefore, may present a good opportunity with investment to make large returns in the long run in line with shareholders objectives

evaluation:

overall, the business is trying to maintain a 'niche' image of exclusivity for the wealthy ('exclusive and unique brand image')... if they opt for the garden furniture, it is much more likely they can do this and make high gross profit margins on all their products and also maintain an image for recycled / eco-friendly products... the office furniture market may be able to offer rapid growth but it may also be saturated with a lot of other competitors and despite lower initial investment cannot make the same level of margins as garden furniture

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



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2024

0	3	Should Sanjay add 'slushy' machines to his three branches?
		Use quantitative and qualitative information and calculations to support your answer. [16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student 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 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 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 – A-LEVEL BUSINESS – 7132/3 – JUNE 2024

The demands of this question are:

- use quantitative and qualitative information to analyse benefits and drawbacks of adding slushy machines to Speed-e-Puds branches
- correctly use relevant calculations to support answer
- make a judgement on whether to introduce the machines.

Indicative content:

Relevant calculations may include any of the following:

extra profit generated by Slushies = £3420 (contribution) – £3 000 (fixed cost)
= £420 per branch per year.

or £2100 over 5 years

Or £1350 if initial cost of £750 is deducted

From an investment appraisal perspective:

Payback:

initial investment = £2250 (3 machines)

net cash flows in subsequent years = £420 per branch, for 3 branches = £1260

$$\text{payback} = \frac{£2250}{£1260} = 1.79 \text{ years (or 1 year 9.43 months)}$$

(accept 1.7 to 1.8 years **or** 21 to 22 months **or** 1 year and 9 to 10 months)

ARR – based on a 5-year life:

lifetime profit = (£1260 × 5) = £6300 – £2250 = £4050

$$\frac{£4050}{5} = £810$$

$$\frac{£810}{£2250} \times 100 = 36\%$$

Break-even for slushy machines:

$$\frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

$$\frac{£3000}{£0.95} = 3158$$

break-even number of slushies per branch = 3158 slushies per branch

Arguments for introducing slushy machines:

- minimal outlay is paid back within lifetime



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2024

- positive contribution per branch of £420 if forecasts are correct – multiply this by number of branches – this may be more than 3 in future years depending on expansion plans
- ARR of 36% is positive and above interest rates and Sanjay's ROI target
- may attract new customers who spend on other menu items – boosting profit.

Arguments against introducing slushy machines:

- capacity utilisation is already high, can staff cope with selling additional products or would slushy machines reduce other 'counter-top' revenue streams
- quantities (particularly of profit generated per branch) are relatively low
- Slushy sales may cannibalise other dessert sales
- Ansoff suggests that product development carries risk.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement will come through the assessment of whether this approach will achieve Sanjay's targets – perhaps most importantly the 25% RoI mentioned in the case study. Other evaluative issues that may be raised include:

- forecast is from supplier – may be overly optimistic
- £420 extra contribution per branch per year is small in relation to current operating profit (around £67 000 per branch)
- if expansion goes ahead, overall financial effect of slushies will be greater
- will there be a significant opportunity cost – in terms of counter space?
- will Slushies complement existing menu?

Markers' note:

Any calculations that are accurate and used effectively to support an argument should be credited – make a reasonable attempt to understand where students' numbers have come from.

A calculation is one of the demands of the question, so the highest level that can be awarded without a calculation is level 3.

To earn credit for calculations they need to be used to develop an argument

If all that is present are correct calculations, without argument or judgement, Level 1



MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/3 – 2018

0	5	Considering both quantitative and qualitative factors, should Jack give up his job to become a full-time entrepreneur? Justify your answer.
		[20 marks]

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 judgements 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 and is 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 and with 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



MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/3 – 2018

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

The demands of the question are:

- to analyse quantitative factors affecting Jack's choice
- to analyse qualitative factors affecting Jack's choice
- makes a clear judgement on whether Jack should give up his job to become a full-time entrepreneur

Indicative content:

Quantitative issues include:

Appendix C suggests Jack's profit would be:

Item	Expected online sales	Expected sales through retailers
T-shirts	2000 * contribution p.u. of £15 = £30 000	33,000 * contribution p.u. of 6 = £198 000
		Total contribution = £228 000

Total FC = £200 000

Forecast profit = £228 000 - £200 000 = £28 000

£3 000 more than his bank salary IF his forecasts are correct

He has a 'guaranteed' income of £25,000 if he stays at the bank

Qualitative issues include:

- Jack clearly has the desire to quit work – would he be happier as a full-time entrepreneur?
- Jack still lives at home – so he shouldn't be left homeless if the business fails, whilst LTD liability provides some protection from increased debt likely to accompany the move
- hard to imagine how online only distribution would ever generate the volumes needed to generate net profit of £25 000
- £25 000 salary looks safe and secure, forecasts are uncertain
- as an employee Jack is likely to receive other benefits, including sick pay and probably pension contributions.

The decision may depend on:

- a trade-off of job satisfaction and potential for higher earnings versus security
- the probable accuracy/inaccuracy of Jack's forecasts, given the slim operating profit forecast, and even more so, the relative size of the extra £3 000 earned by pursuing this business full-time. Even a minor overestimate may wipe out the extra £3 000.



MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/3 – 2018

- He may earn more than he would at the bank, his working life is likely to be more fulfilling, but he is trading security away in return for a small increase in his income and greater job satisfaction.
- Given his track-record of willingness to take risk, his youth and his clear dissatisfaction in his current role entrepreneurship makes sense, unless a candidate considers the element of risk too great for a relatively minor financial reward.

Credit other valid lines of analysis and evaluation.

On this question, balance requires argument(s) for and against quitting his job/becoming an entrepreneur. Consideration of quantitative factors AND qualitative factors is required to show range

Use of data in appendix A can be credited as use of (quantitative) context, if recognised that this is historic data



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 06 · Section A objective test question

Correct answer: A

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



Question 06 · Section A objective test question

Correct answer: A

Competitors

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



Question 02 · Section A objective test question

Correct answer: D

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



Question 01 · Section A objective test question

Correct answer: B

employees and shareholders

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



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2023

0	3	2	Explain how stakeholder mapping would help Simply Bake plc decide how it responds to criticism from APO.
[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. Provides an answer to the question set that: Explains how stakeholder mapping will help with decisions in this case.	4
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: Some explanation of how stakeholder mapping will help decisions, possibly with some application to the case.	3–2
1	A limited response overall that focuses on a few demands of the question. Provides an answer to the question set that: Some understanding of stakeholder mapping.	1

The demands of the question are:

- demonstrate an understanding of stakeholder mapping
- showing how this can help decisions balancing the interest and power of a stakeholder group
- in the context of criticism from APO.

Indicative content:

- stakeholder mapping is a technique to evaluate the influence and relative importance of different groups based on their power and interest
- the campaign group will have little direct power. APO is a small campaign group
- the campaign group has high interest in the wider issue, but not necessarily directly on Simply Bake – so low interest from Simply Bake.
- low power and low interest would suggest the business should 'monitor' APO.
- low power and high interest would suggest the business should 'keep informed'.

Allow other relevant answers.



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

0	5	Analyse why some stakeholder groups opposed HS's decision to open a city-centre hostel in Edinburgh.
		[9 marks]

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

Level	The candidate 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 focus on:

- analysing reasons different stakeholder groups opposed HS's decision to open a city centre hostel in Edinburgh.

Indicative content may include:

- Specific reference to stakeholder groups, the perspective of these stakeholder groups and their opposition, eg
 - (many) members are committed to the mission of HS and city centre hostels seems to go against this
 - Trustees may be concerned about the financial risk of borrowing money and whether the organisation understands the new market well enough.
 - Volunteers may have less of a role if city centre hostel is run in a more 'business like' way
 - Many stakeholders could be concerned if resources and attention is diverted from their traditional and favoured areas.

Approaches are likely to be:

A good response will make a clear line of argument in context as to the likely reason for opposition by different stakeholder groups

A good response being focused on the question will pay some reference to more than one stakeholder group – though the second group may be analysed to a lesser extent.

A reasonable response may be less focused on the demands of the question – less clear understanding of stakeholder perspectives or less securely applied to the case material or only one stakeholder group considered.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2022

0	5	To what extent would the reactions of SSN Ltd's stakeholders to the possible takeover be likely to lead to conflict between those stakeholders?
[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 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 and is 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 and with 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

MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2022

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
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The demands of this question are:

- analyse the reaction of stakeholders to the possible takeover
- analyse potential conflict between stakeholders
- make a judgement on the extent to which the possible takeover would lead to conflict between stakeholders.

Indicative content:

It is hard to envisage a scenario in which no conflict will arise.

Analysis will examine potential conflicts between these reactions.

- Shareholders may benefit (BOD exactly how they would gain financially). Bemis is the majority shareholder and may resist if she feels she can keep 'milking' the business for dividends. Other shareholders may feel similarly. Bemis, however, may welcome the opportunity to 'cash in' on her hard work and receive a one-off payment for her shareholding (51% of £50m = £25.5m, but can use OFR if response states she will receive £50m)
- Employees may feel insecure as the takeover is reportedly likely to result in redundancy for all staff.
- Customers may not want the takeover to go through – they will see this as consolidation in the market that may well lead to higher prices for cybersecurity software.
- Suppliers may also have negative feelings towards a deal that is likely to lead to the loss of a customer and increase buyer power within the market through consolidation.
- The business may collapse soon so if the competitor buys SSN Ltd, at least some stakeholders see an upside.
- Given the perilous financial state of the business, shareholders may see this as an opportunity to 'cash out' before finances turn sour.
- Some employees may recognise that the business is in a difficult financial position and may harbour hopes of retention after a takeover that could improve financial stability.
- Bemis may be resistant if she sees the business as an extension of herself and does not wish the company she has built from nothing to slip from her control.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on the likelihood of stakeholder conflict.

This scenario is a little unusual as the business is clearly struggling to survive. The result is that there may well be far less conflict than might ordinarily be the case. However, it is likely that there will be some conflict between groups, with some clearly identifiable groups likely to be against the takeover.

NOTE – responses that effectively address the likelihood of stakeholder conflict arising as a result of the proposed takeover should be considered at least reasonable.



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.

1. Q4 · AS Paper 1 · June 2019 · 1 mark · 3.2.1

< 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 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.

2. Q8 · AS Paper 1 · June 2019 · 1 mark · 3.2.1

< MARK SCHEME

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

Although most students were able to identify the correct response to question 8, a number were attracted to options A and B.

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

3. Q3 · AS Paper 1 · June 2022 · 1 mark · 3.2.1

< MARK SCHEME

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

The majority of students opted for the correct responses to questions 2, 3 and 9, with the most common distractors proving to be response D for question 2 and response C for question 9, although there was no clear distractor for question 3.

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

4. Q1 · A Level Paper 1 · June 2018 · 1 mark · 3.2.1

< MARK SCHEME

This was intended to be a relatively accessible first question testing a well-known concept, but one that was new to the specification, in a straightforward manner. It was pleasing to witness the excellent understanding shown.

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

5. Q10 · A Level Paper 1 · November 2020 · 1 mark · 3.2.1

< MARK SCHEME

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

Q10 – This question on management styles was answered well. The concept of 'country club' as a style of leadership was understood well, with most students also understanding 'team leader' as a management style.

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

7. Q5 · A Level Paper 1 · June 2023 · 1 mark · 3.2.1

< MARK SCHEME

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

Question 7, on 'kaizen' proved to be the easiest question, followed by question 5, on the Blake Mouton grid. Students often find data interpretation challenging and so it was pleasing to see that questions 12 and 13, two questions based on interpreting a set of data, were correctly answered by approximately two-thirds of the students.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

8. Q13 · AS Paper 1 · June 2022 · 4 marks · 3.2.1

< MARK SCHEME

This question required students to explain one benefit to a business of changing the management style from manager to subordinate centred. As with question 11, the key to success here was to clearly link the benefit to the business, and, again, most students seemed to understand the nature of the change and/or were able to identify a generic benefit that might arise, but a significant number of students then simply focused their explanation on the potential impact on employees. The strongest responses were able to explain how the benefit identified might have a beneficial impact on a business, and about one fifth of the responses reached level 3. The small number of



Q13 · AS Paper 1 · June 2022 (continued)

responses that remained in level 1 tended to either simply state a potential benefit without any attempt at explanation, or to describe the change indicated by the diagram. The majority 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 notion of a business, tending to see the benefit identified from the perspective of the employee.

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

9. Q12 · AS Paper 1 · June 2017 · 5 marks · 3.2.1

< MARK SCHEME

Most students earned some marks by demonstrating an understanding of the relevant concepts. Just over half of the responses achieved level 2 marks with students demonstrating knowledge and understanding of the significance of points A and B often in the context of the model.

The weakest responses did little more than describe the diagram or focused simply on point A and why it might be beneficial for a business to offer freedom to subordinates. Some responses drifted into a discussion that focused on alternative theories / models that relate to management / leadership style, and a small number of students turned the question on its head and focused on a change from point B to point A.

The level 3 responses addressed the issue of 'why' and had a clear focus on the reason(s) why managers might change their style from A to B on the continuum, generally developing explanations relating to the need to exert more control in a situation where employees might be new or relatively unskilled or where the business is facing a crisis / emergency.

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

11. Q15 · AS Paper 1 · June 2025 · 5 marks · 3.2.1

< MARK SCHEME

This proved to be an accessible question that discriminated effectively with a balanced spread of marks resulting. The demands of the question required students to analyse how an autocratic leadership style might prove useful for a business that is growing quickly.

The overwhelming majority of students were able to demonstrate sound knowledge and understanding of the basic concept of an autocratic leadership style, although some offered lengthy definitions and descriptions and did little more – these such responses tended to remain in level 1. Just over half of the responses moved beyond this into the higher levels with just under 10% reaching level 3.

A number of students struggled with the gatekeeper, and this generally manifested in the form of confusion between autocratic and democratic leadership, although most responses demonstrated sound knowledge and understanding. Some students provided a counter argument by considering the drawbacks and a few provided a conclusion. Nearly a half of the responses were awarded a mark in level 2, and this was typically as a result of demonstrating clear understanding of autocratic leadership style and developing an explanation that was focused on the notion of business growth in general. However, such responses tended to fall short of making a clear and / or convincing link to the notion of growing quickly.

The most effective responses were concise and precise in demonstrating relevant knowledge and understanding and moved quickly into developing a plausible line of reasoning as to how this style of leadership might have a beneficial impact on a business that is growing quickly. In many respects, the most important word in the question proved to be 'quickly'.

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

12. Q4 · AS Paper 2 · June 2017 · 9 marks · 3.2.1

< MARK SCHEME

Better answers demonstrated understanding of Blake Mouton and developed their response from that. Many students simply asserted that 'team management' would be motivational and thus resulted in the judges' comments. Better responses offered an analytical link saying why it was motivational and then relate this to the judges' comments. Although not an explicit requirement, the use of theory here was quite sparse: when it was used it usually added welcome depth. To provide clarity the question stated that the approach was 'team management', but despite this some students formed their answers on the premise that it was a different approach such as 'Country Club'. Focusing on the question would have proved beneficial here.

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

13. Q20 · A Level Paper 1 · June 2019 · 9 marks · 3.2.1

< MARK SCHEME

On the whole, students showed sound understanding of leadership styles. It was also evident that understanding of different theories of leadership was strong, with students using newer models



Q20 · A Level Paper 1 · June 2019 (continued)

such as Tannenbaum & Schmidt with confidence. However, a high number of answers made little or no reference to decentralisation. More effective answers used arguments that clearly related to decentralisations but some responses confused decentralisation with other concepts, such as delegation and layering. A number of students argued that autocratic leadership was ideal because the leader would ensure that decentralisation was done quickly.

Sections C & D

In Section C, Questions 21 and 22 proved to be very similar in terms of their popularity. In Section D, Question 23 was chosen by twice as many students as Question 24. In terms of performance, Question 22 proved to be the most accessible essay, with Question 24 proving to be the most challenging.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

15. Q2.3 · A Level Paper 2 · June 2023 · 9 marks · 3.2.1

< MARK SCHEME

Most students were able to at least access level 2, as they were able to discuss the issues faced by a manager with increased homeworking. Many were able to develop straightforward impacts but then there was often a lack of consideration on how this impact could have brought some sort of change to the way managers fulfil their job role. Better responses were able to access level 3, by discussing how managers are likely to need to change in order to fulfil their role. For example, in relation to management style. Many students employed good use of management theories to support these answers.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2023.

17. Q6 · AS Paper 2 · June 2023 · 16 marks · 3.2.1

< MARK SCHEME

This was a very well answered question in which many students demonstrated strong analytical and application skills. Most students demonstrated a good knowledge of a 'produce/perish' style of management. Weaker responses included answers that had weak evaluation. Some students did not give an overall judgement.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

18. Q5 · A Level Paper 3 · June 2019 · 20 marks · 3.2.1

< MARK SCHEME

Evaluating Mike's effectiveness as a leader proved to be a question that most students were happy to tackle, and a significant proportion answered it effectively. While more able students made good use of the case study's material on decisions and actions that Mike had taken, less able students simply lifted these from the text and tacked on a sentence saying that this did or did not make him an effective leader. Again, the key to success here was in building causal arguments, with a full explanation linking what Mike did to the traits of effective leaders. Though 'learned' structures such as in the short-term versus in the long-term rarely add value to students' answers, this was a question that did illustrate the benefit of making a balanced judgement, perhaps by suggesting Mike had been a very effective leader, but that he has struggled more recently due to the different set of challenges he faces.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2019.

19. Q5 · A Level Paper 3 · November 2020 · 20 marks · 3.2.1

< MARK SCHEME

The quality of responses to this question varied widely, with the key determinant of marks earned being the extent to which the answer had remained fully focused on the question set. There is no ambiguity in the wording of the question to suggest it is asking about anything other than the effect of a change in leadership style. Students who remained focused on the effects of the change on leadership style could construct excellent responses to the question. Unfortunately, a sizeable proportion of students built answers around the strategic changes proposed without addressing the specific question asked. Once more, it is worth reiterating that the key determinant of success on A Level Business papers is to answer the specific question that has been asked.

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

21. Q1 · AS Paper 1 · June 2023 · 1 mark · 3.2.2

< MARK SCHEME

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

The majority of students opted for the correct responses to questions 1 and 6, with the most common distractors proving to be responses D and A for question 1 and responses A and B for question 6.

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



23. Q3 · A Level Paper 1 · June 2022 · 1 mark · 3.2.2[< MARK SCHEME](#)

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

On average, students scored slightly higher marks on the multiple-choice questions than in the 2018 and 2019 series. Questions 1, 2, 3 and 13 were answered correctly by over 70% of students. The most challenging question (Q8) covered core topics, but required calculations that were presented in a slightly different way than usual. However, one distractor proved to be more popular than the correct answer and this occurred because students did not understand the meaning of price inelastic demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

24. Q9 · A Level Paper 1 · June 2024 · 1 mark · 3.2.2[< MARK SCHEME](#)

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

Question 9, on 'decision trees' proved to be the easiest question, followed closely by question 3, on delaying. Two popular topics –

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.

27. Q12 · AS Paper 1 · June 2019 · 4 marks · 3.2.2[< MARK SCHEME](#)

A significant number of responses achieved level 2 marks by demonstrating often impressive knowledge and understanding of decision trees and their limitations in the context of business decision making in general. The most effective responses focused on just one limitation but linked it to the context of a new, innovative product. The weaker responses that failed to move beyond level 1 tended to be descriptive and do little more than show some general (and often imprecise) knowledge of the issues around decision trees. A significant number of students appeared to be unable to demonstrate any relevant knowledge, and there were a number of highly generic responses that drifted into discussions of decision making in general and/or the importance of the external environment, without it ever becoming clear as to whether the student had any knowledge of decision trees.

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

28. Q14 · AS Paper 1 · June 2022 · 4 marks · 3.2.2[< MARK SCHEME](#)

This question differentiated effectively and was generally well-answered with just over two fifths of the responses being awarded full marks. Those students who fell just short either tended to offer an answer of £78.5 million units and thus failed to subtract the initial investment from the expected value, or made a calculation error (with the 'own figure rule' being applied in such cases). Two marks were generally achieved by calculating £66.5 million and £12 million, and then, either doing nothing else, or carrying out a series of random calculations that added no value to the response. A significant number of responses struggled to achieve any marks for this question, and a number of students did not attempt it. The weakest responses demonstrated a fundamental lack of knowledge and/or understanding of the concept of decision trees.

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

30. Q4 · AS Paper 2 · June 2024 · 9 marks · 3.2.2[< MARK SCHEME](#)

This question proved accessible and differentiated effectively with a balanced spread of marks overall. The demands of the question required students to analyse how the business would benefit from using a decision tree in making the decision to enter a new market. The majority of students were able to demonstrate sound knowledge and understanding of the basic concept of a decision tree. As seen in previous series, some students offered unnecessarily lengthy definitions, with some then offering little more, such responses remained in level 1.

Many of the responses scored level 3. The most effective responses were concise in the points made and demonstrated relevant knowledge and understanding. These responses were not overly lengthy and demonstrated a disciplined and clear focus on the demands of the question. The higher-level responses ensured their focus and points made were well in context of the business and the decision to be made. Weaker responses tended to be more general considerations of the use of decision trees, offering advantages and disadvantages for example, others were largely descriptive.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

31. Q18 · A Level Paper 1 · June 2019 · 9 marks · 3.2.2[< MARK SCHEME](#)

Q18 · A Level Paper 1 · June 2019 (continued)

There were a wide range of responses to this question, with some students losing time by calculating net gain when this had already been given. The question implicitly focused on why the option with the highest net gain should not be chosen and so conducting this specific calculation was not answering the question. Most students recognised the significance of the different probabilities of success for the two options and many used the large differences in initial cost to underpin their arguments. Some effective answers compared the net gain to the initial cost although there were misunderstandings shown, as students saw net gain as the actual profit. More effective answers used the pay-offs and initial costs to show that the decision tree indicated no risk of financial loss for Option B, regardless of success or failure, but a highly probable significant loss for Option A.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

32. Q1.3 · A Level Paper 2 · June 2025 · 9 marks · 3.2.2

[< MARK SCHEME](#)

Most students did well with the quantitative side of this answer and found the data accessible. It was pleasing to see the number of students who could successfully undertake the calculations for the decision tree and where they did this and developed a qualitative issue alongside analysing this information of why option 2 should be selected, they easily entered level three.

Some students did not subtract the initial cost. A smaller number of students could not use the decision tree; where they did not know the calculation for net gain it became descriptive just stating the differences in the options. The main way in which a number responses could have been improved was by ensuring qualitative factors were included not just quantitative, as the question required.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2025.

33. Q15.2 · AS Paper 1 · June 2017 · 16 marks · 3.2.2

[< MARK SCHEME](#)

The vast majority of students were able to provide reasonable responses to this question and a significant number moved into the highest levels.

The weakest responses tended to do little more than describe the data in figure 1 with no real attempt to carry out any valid calculations, while others were limited by making a series of points that remained largely undeveloped. It was disappointing to note that a very small number of students appeared to have little or no understanding of decision trees.

Others were able to carry out accurate or largely accurate calculations based on the decision tree which they used to support a partial judgement invariably in favour of investing in a new camp in Scotland. The most common error in such calculations was to overlook the fact that failure resulted

in a loss of £30 000, and such an approach yielded an Expected Value of £312 000 (rather than £288 000) and a net gain of £112 000 (rather than £88 000). In such cases, the 'own figure rule' was applied. Others contained good arguments but were very one-sided (e.g. focusing on only one of the options presented) and thus lacked balance.

The responses that moved into the higher levels tended to offer arguments in favour of investing in a new camp in Scotland based largely on the financial data in figure 1 and Sam's attitude to risk / ambition, and then achieved balance by offering counter arguments in favour of investing in weather proof facilities based on factors such as the provenance of the financial estimates / market research, geographical distance, the challenge of a new market segment, the need to address the issues around cancelled bookings and complaints, and the financial weaknesses of this new business.

Some attempts at making an overall judgement were little more than a summary of what had gone before, rather than a convincing attempt to address the challenge of the question set. The most impressive responses were built on balanced and well developed arguments that led logically to a well-supported overall judgement with a clear focus on the demands of the question. A striking feature of such 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 2017.

34. Q7 · AS Paper 2 · June 2018 · 16 marks · 3.2.2

[< MARK SCHEME](#)

Good responses to this question provided clear and well-developed arguments for and against the decision leading to the overall judgement called for by the question. The students faced a direct question 'Was HS right to sell the three hostels in 2016' and a focused response needed a direct judgement. This style of question worked well as it directed students to make a clear conclusion. It was not important which decision they made so long as their position was supported. A few students applied their answers to different parts of the case – failing to keep focused on the 2016 decision. This shows the importance of understanding the timeline in the case material.

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



35. Q17.2 · AS Paper 1 · June 2024 · 16 marks · 3.2.2[< MARK SCHEME](#)

This question seemed to be accessible, and the best responses certainly met the challenge of telling us what the student thought in terms of what would be the best decision for Refurb-iture Ltd and recognised that the balance of the argument lay around the extent to which each of the two options for expansion would be most likely to meet the three objectives set for Veronica by shareholders.

The vast majority of 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. However, 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 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 the business should choose office furniture for its expansion 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 tends 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 alternative option, or they did so in a way that was largely descriptive. This inevitably led to judgements that were partial at best.

The case study presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. Again, a significant number of the weaker responses attempted to include every bit of context and did little more than recycle the case. Many of the weaker responses simply described the information provided by the table, ignored the fact that the garden furniture option aligned with the brand values and existing target audience of the business, and simply asserted that the office furniture option was to be preferred on the grounds that the market is greater in value, or that the variable cost per unit is lower, or that discounts might be offered by suppliers for bulk purchase.

Stronger responses tended to provide context to the data from Veronica's research by, for example, considering the overall market values in the light of the number of competitors with similar products, or by using the information related to variable cost and average price per unit to calculate contribution per unit.

The most impressive responses generally took the view that it would be best for the business to choose garden furniture for its expansion, and such responses led logically to a well-supported overall decision, and were built around a balanced and thoughtfully weighted consideration of key issues such as the importance of maintaining the exclusive and unique brand image based on luxury and eco-friendly materials, the ease of market entry and the number of potential competitors, and the likelihood of achieving rapid sales growth and of increasing profitability in the long term.

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 to continue to be a key to excellent answers in that they are written with a clear intent.

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

36. Q3 · A Level Paper 3 · June 2024 · 16 marks · 3.2.2[< MARK SCHEME](#)

With such a wealth of quantitative data provided, plus a clear instruction to use this with a calculation to address the question of the slushy machines. Few students managed to successfully use quantitative analysis to address the question. Using contribution to calculate the expected profit per machine was a fruitful route to achieving good analysis here. Many students simply made descriptive use of the data or carried out a calculation that offered little insight relating to the question – for example, calculating that three times £3 000 electricity cost would mean Speed-e-Puds costs rise by £9,000 per year across three branches. Business students are expected to be able to handle, and indeed use quantitative data to analyse and suggest solutions to business issues and Paper 3 is a natural area for assessing this skill.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2024.

37. Q5 · A Level Paper 3 · June 2018 · 20 marks · 3.2.2[< MARK SCHEME](#)

Q5 · A Level Paper 3 · June 2018 (continued)

Though not required in a response, many students recognised that use of Appendix C information to calculate the forecast profit for next year, of £28,000, offered a quick and effective way to develop a fully contextualised argument for this question. Most students were able to offer a balanced response, in the best cases recognising that behind the question was a trade-off between financial security and a more interesting and perhaps more lucrative future for Jack. Disappointingly, a number of students failed to offer a clear judgement, instead spending too much time explaining what it depends on instead of justifying why Jack may or may not prioritise certain issues.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2018.

40. Q6 · AS Paper 1 · June 2022 · 1 mark · 3.2.3

[< 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 5 and 6 proved to be the most straightforward, closely followed by questions 1 and 7.

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

42. Q1 · A Level Paper 1 · June 2022 · 1 mark · 3.2.3

[< MARK SCHEME](#)

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

On average, students scored slightly higher marks on the multiple-choice questions than in the 2018 and 2019 series. Questions 1, 2, 3 and 13 were answered correctly by over 70% of students. The most challenging question (Q8) covered core topics, but required calculations that were presented in a slightly different way than usual. However, one distractor proved to be more popular than the correct answer and this occurred because students did not understand the meaning of price inelastic demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

43. Q3.2 · A Level Paper 2 · June 2023 · 4 marks · 3.2.3

[< MARK SCHEME](#)

Students who knew the variables of stakeholder mapping were able to develop high level responses. However, stakeholder mapping was not understood in its entirety by some who struggled to make a relevant point in a way in which they respond to APO (keep informed/monitor). A lot of students picked up AO1 marks for some comprehension but then failed to apply it to APO effectively. A common incorrect answer showed a lack of understanding of stakeholder mapping terminology. Alongside, too many students missed "decide how it responds to criticism from APO". This led to students often referring to other stakeholders instead of APO.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2023.

44. Q5 · AS Paper 2 · June 2018 · 9 marks · 3.2.3

[< MARK SCHEME](#)

Good responses analysed the opposition to the proposal from the perspective of clearly specified stakeholder groups. There was plenty of information in the case to support points which were selected effectively. It was not uncommon for students to respond by using a general 'stakeholder group'. Some students wasted time in formulating a counter argument as to why specific groups may be in favour – this was not answering the question set. It is important to focus on the demands of the question.

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

45. Q5 · A Level Paper 3 · June 2022 · 20 marks · 3.2.3

[< MARK SCHEME](#)

Students struggled at times to find the heart of the question – the likelihood of conflict between stakeholder groups. Too often answers simply worked through a list of stakeholders and explained how they would react to the proposed takeover, without stepping back to assess the chance of conflict between these groups. The best responses identified one or two aspects of the proposed takeover that would lead to conflict between stakeholder groups, and managed to find one argument explaining why conflict may be unlikely. This was usually based on a recognition that SSN Ltd could have been close to financial collapse. A small, but notable minority of students thought that stakeholders meant shareholders.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2022.

