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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

Analysing the strategic position of a business (3.7)

A Level Business (7132) · Section 3.7

80 questions · 676 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.
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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 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]

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

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

CORRECT METHOD  WRONG METHODS 

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

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

0 1 **Statement 1**: 'In a SWOT analysis, high staff turnover is a threat.'

Statement 2: 'In a SWOT analysis, excellent research and development facilities are an opportunity.'

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

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 2 After five years of trading, the value of a company's initial ordinary share capital is identical to the value of its market capitalisation. No further shares have been issued during this period.

These two values will only be identical if:

[1 mark]

A all of its profit has been distributed to shareholders. ⬭

B all of its profit has been retained in the business. ⬭

C it has made a total profit of zero over the five years. ⬭

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



Do not write outside the box

1 1 **Statement 1:** 'In a SWOT analysis, improvements in infrastructure are a strength for a business.'

Statement 2: 'In a SWOT analysis, an increase in the minimum wage may be a threat to a business.'

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. ⬭

1 2 Based on Kaplan & Norton's Balanced Scorecard model, a policy to increase Research and Development spending on new products by 5% would be an element of the:

[1 mark]

A customer perspective. ⬭

B financial perspective. ⬭

C internal business process perspective. ⬭

D learning and growth perspective. ⬭

1 3 Which one of the following is **least** likely to be an advantage of operating in a niche market for a small business?

[1 mark]

A Economies of scope ⬭

B Focused marketing ⬭

C Less competition ⬭

D Opportunity for tailor-made products ⬭

Turn over ►

0 7

Do not write outside the box

0 3 Delayering in a business is likely to:

[1 mark]

A decrease the span of control of managers. ⬭

B improve the speed of vertical communication. ⬭

C increase opportunities for promotion. ⬭

D lead to less autonomy for workers. ⬭

0 4 The data below shows the budgets of a business for a particular year:

Budgeted income: £200m
Budgeted expenditure: £160m

At the end of the year, the actual income was as budgeted but expenditure was 20% higher than the budget.

This means that the actual profit showed:

[1 mark]

A a favourable variance of £8 million. ⬭

B a favourable variance of £32 million. ⬭

C an adverse variance of £8 million. ⬭

D an adverse variance of £32 million. ⬭

0 5 Which one of the following statements is **true**?

In a SWOT analysis:

[1 mark]

A a recession in the business' main export market is a weakness. ⬭

B an increase in labour productivity in the business is an opportunity. ⬭

C an increase in the number of patents held by a business is a strength. ⬭

D disappointing levels of innovation from research and development are a threat. ⬭

Do not write outside the box

1 5 Which option below is correct in ranking these actions from long-term to short-term?

[1 mark]

A Corporate objectives → mission statement → tactics ⬭

B Corporate objectives → strategies → tactics ⬭

C Mission statement → tactics → strategies ⬭

D Tactics → strategies → mission statement ⬭

15

Turn over for Section B

Case study: Speed-e-Puds Ltd (A Level Paper 3, June 2024 insert)
The full case study for Q4 (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.

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:

> 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**.

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

Growth

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.

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.

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

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:	**Weaknesses:**
• strong branding • faster cooking and service times than rivals due to 'SuperWaffler'.	• reliance on Sanjay's hands-on management style • lower gross profit margins than rivals.
Opportunities:	**Threats:**
• 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.	• 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 9).

< CASE STUDY

Do not write outside the box

0 4 To what extent is Sanjay's use of SWOT analysis likely to help his strategic planning?

Use information from **Appendix C** and the other information provided to justify your answer.

[16 marks]

Do not write outside the box

Extra space

13

Do not write outside the box

16

Turn over ►

Case study: DWS Ltd (A Level Paper 3, June 2019 insert)
The full case study for Q6 (24 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.

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.

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.

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.

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.

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

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**.

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.

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.

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

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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 15).

< CASE STUDY

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0 6 DWS Ltd is considering making a major strategic change.

To what extent is a SWOT analysis valuable for any business deciding on its future strategy?

[24 marks]

Do not write outside the box

Extra space

20

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Do not write outside the box

Do not write outside the box

Do not write outside the box

Turn over ►

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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]

Do not write outside the box

0 5 Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

A Decreasing interest rates and decreasing taxation ⬭

B Decreasing interest rates and increasing taxation ⬭

C Increasing interest rates and decreasing taxation ⬭

D Increasing interest rates and increasing taxation ⬭

[1 mark]

0 6 A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

A economic responsibility. ⬭

B ethical responsibility. ⬭

C legal responsibility. ⬭

D philanthropic responsibility. ⬭

[1 mark]

0 7 An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

A investment criteria. ⬭

B non-financial factors. ⬭

C sensitivity analysis. ⬭

D the discount rate. ⬭

[1 mark]

Do not write outside the box

0 5 Which **one** of these changes would lead to an increase in the level of output needed to break-even?

A decrease in

A fixed costs. ⬭

B margin of safety. ⬭

C unit selling price. ⬭

D variable costs per unit. ⬭

[1 mark]

0 6 Lower UK interest rates are likely to lead to an increase in the volume of UK exports because they probably lead to

A a rise in costs of UK businesses and a rise in the exchange rate of the pound. ⬭

B a rise in costs of UK businesses and a fall in the exchange rate of the pound. ⬭

C a fall in costs of UK businesses and a rise in the exchange rate of the pound. ⬭

D a fall in costs of UK businesses and a fall in the exchange rate of the pound. ⬭

[1 mark]

0 7 A business has more current liabilities than current assets and shareholders provide 90% of its capital employed.

This business has

A a high current ratio and high gearing. ⬭

B a high current ratio and low gearing. ⬭

C a low current ratio and high gearing. ⬭

D a low current ratio and low gearing. ⬭

[1 mark]

Do not write outside the box

0 8 **Table 1** below shows efficiency ratios for four different companies.

Table 1 Efficiency ratios for four companies

Ratios	Company			
	A	**B**	**C**	**D**
Payables days	35 days	35 days	25 days	25 days
Receivables days	25 days	25 days	35 days	35 days
Inventory turnover (times)	15	10	15	10

Based on these ratios, which company is most likely to have the best cash flow?

[1 mark]

A Company A ⬭

B Company B ⬭

C Company C ⬭

D Company D ⬭

0 9 A business introduces two strategies (X and Y) to improve profits:

Strategy X: Focusing on selling goods with a positive income elasticity of demand.
Strategy Y: Reducing unit costs through economies of scope.

Statement 1: 'Strategy X will not be effective if GDP declines.'

Statement 2: 'Strategy Y will only be possible if the business produces a wider range of products.'

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. ⬭

Do not write outside the box

1 2 The exchange rate for the £ increases.

This will lead to which one of the following outcomes?

[1 mark]

	Costs of imports to UK	Demand for UK exports	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

1 3 A business' current liabilities are three times the level of its current assets.

Shareholders provide 20% of its capital employed.

This business has:

[1 mark]

A a high current ratio and a high gearing. ⬭

B a high current ratio and a low gearing. ⬭

C a low current ratio and a high gearing. ⬭

D a low current ratio and a low gearing. ⬭

Turn over for the next question

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

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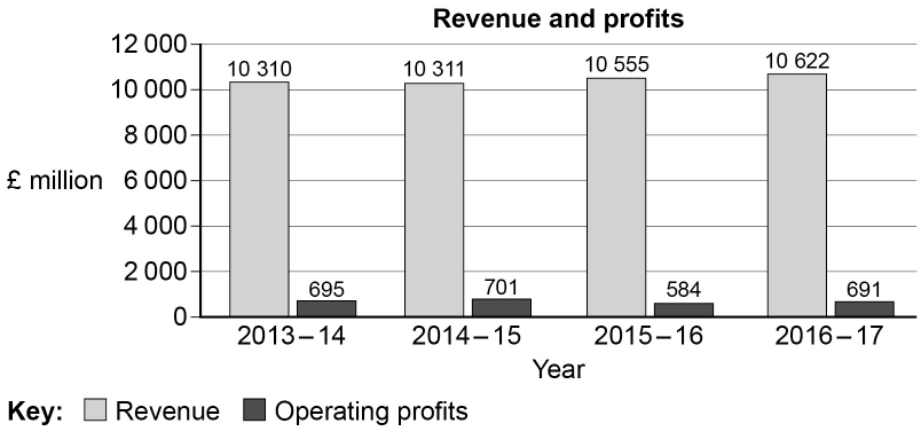
0 1 Marks and Spencer plc is one of the UK's leading retailers. It provides its own-brand food, clothing and home products in 1433 stores worldwide and online.

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

Balance sheet as at 1 April 2017

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

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



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Appendix C Marks and Spencer plc customer data for financial year ending 1 April 2017

	Total number of customers	Percentage change on previous year	Average number of times a year a customer buys from Marks & Spencer	Percentage change on previous year
Food	20.5 million	+2.0%	22.5	0%
Clothing and home	24.6 million	0%	7.2	–5.3%

Appendix D Marks and Spencer plc online data

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

Appendix E Information on Marks and Spencer plc's Board of Directors in 2017

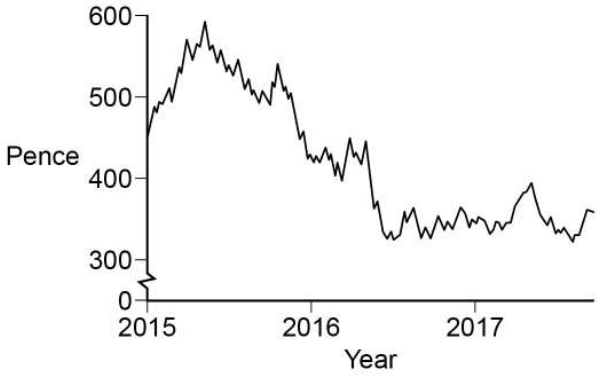
International experience: directors come from the following countries

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

Gender diversity: 70% of directors are male, 30% female

Industry sector experience of directors: retail 90%, consumer 100%, finance 60%, e-commerce and technology 40%

Appendix F Marks and Spencer plc's share price



Do not write outside the box

0 1 . 1 Explain, with an example, what is meant by non-current assets.

[2 marks]

2

0 1 . 2 Explain **one** possible reason why the share price of Marks and Spencer plc fell between mid-2015 and the end of 2017.

[3 marks]

3

Do not write outside the box

Section B

Answer **all** questions in this section.

Questions 16, 17 and 18 are based on the data provided in **Table 1** below.

Table 1 includes all of Magpie plc's current assets and current liabilities at the end of its financial year, ending 31 March 2021. The inventory level on 31 March 2021 is identical to the average level of inventory held during the year.

Table 1 Extracts from financial accounts of Magpie plc

Item	(£m)
Sales revenue	80
Cost of sales	50
Bank overdraft	7
Inventory	8
Payables	12
Receivables	17

1 6 Calculate the inventory turnover of Magpie plc.

[2 marks]

2

1 7 Calculate the payables days for Magpie plc.

[3 marks]

3

Turn over ►

Do not write outside the box

Section B

Answer **all** questions in this section.

Questions 16, 17 and 18 are based on the data provided in **Table 1** below.

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[2 marks]

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[3 marks]

3

Turn over ►

Do not write outside the box

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Inventory	8
Payables	12
Receivables	17

1 6 Calculate the inventory turnover of Magpie plc.

[2 marks]

2

1 7 Calculate the payables days for Magpie plc.

[3 marks]

3

Turn over ►

1 8 Calculate the current ratio for Magpie plc.

[3 marks]

Do not write outside the box

3

Do not write outside the box

1 7 A business has non-current liabilities of £200 000 and a gearing ratio of 40%. It then takes out a long-term loan of £100 000 from the bank.

Calculate its new gearing ratio after taking out this bank loan.

[4 marks]

4

Do not write outside the box

1 7 **Table 1** Extracts from financial records of Wot plc

	£m
Non-current assets	38
Current assets	31
Current liabilities	(18)
Non-current liabilities	(24)

Wot plc receives £20 million from selling ordinary shares.

The company uses this money as follows:

- £15 million to purchase machinery
- £3 million to pay off its overdraft
- £2 million to increase inventory levels.

Calculate Wot plc's current ratio **after** these changes.

Show your working.

[4 marks]

Answer _____

Working _____

4

Turn over for the next question

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

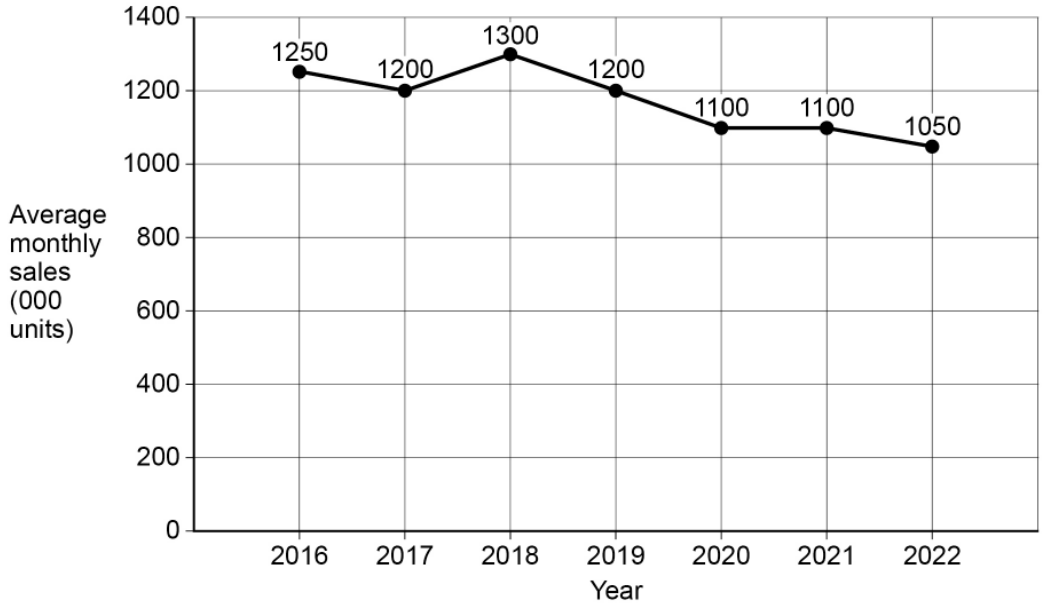
AJS plc

AJS plc is a manufacturer of non-recyclable packaging. This packaging is widely used by takeaway food outlets. AJS plc plans to invest £500 000 in new technology to increase capacity and make its factory more capital intensive.

Appendix A Data on proposed investment (produced by AJS plc's operations manager)

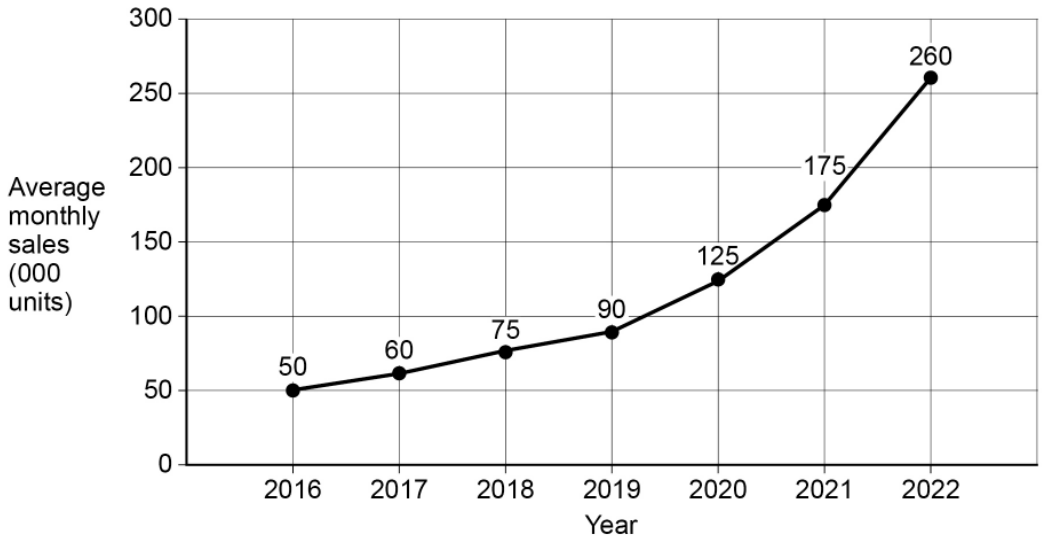
Year	Annual net cash flow £000s	Discount factor (10%)
0	(500)	1.00
1	(50)	0.91
2	250	0.83
3	600	0.75

Appendix B UK market for non-recyclable takeaway food packaging



Do not write outside the box

Appendix C UK market for recyclable takeaway food packaging



Appendix D Selected Human Resource data 2022

	AJS plc	Industry average
Average salary	£22 000	£26 000
Salary costs as a percentage of turnover (%)	40	35
Labour turnover (%)	15	4
Working days lost through industrial action	25	5
Average number of applicants for vacancies	14	55

Appendix E Selected Financial data for AJS plc

	2022
Current assets	£550 000
Current liabilities	£270 000
Non-current liabilities	£4m
Operating profit	£3m
Gearing	22%
Change in the share price of AJS plc over the year	–15%
Change in the share price of the top 100 UK companies over the year	+8%

Do not write outside the box

0 1 . 1 Calculate the Net Present Value for AJS plc's proposed investment.

[4 marks]

4

0 1 . 2 Using **Appendix E**, calculate the Return on Capital Employed for AJS plc in 2022.

[4 marks]

4

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Biggs Ltd

Biggs Ltd operates in the snack food market, selling crisps, nuts and other savoury products. Potatoes are a key ingredient in its snacks. The price of potatoes has risen by 35% over the last two years.

The company is one of six firms who dominate a market that has been growing strongly for ten years. The market growth is largely due to the development of new snacks designed for children. However, Biggs Ltd's market share has been falling since 2019.

Biggs Ltd plans to launch a completely new range of products in 2024. It will promote this by sponsoring a major televised sporting competition which has children and families as its audience.

Appendix A Extract from Biggs Ltd's recent financial statements

	2023 £000s	**2022 £000s**
Revenue	47 569	46 994
Gross profit	22 289	22 820
Operating profit	4 650	4 701
Payables	5 056	5 221

Appendix B Labour productivity for Biggs Ltd and the snack food industry average (shown as an index number, base year = 2017)

Year	**Biggs Ltd**	**Industry average**
2020	104.2	104.3
2023	100.3	105.9

Do not write outside the box

Appendix C Marketing expenditure as a percentage of revenue, 2020–2024*



* 2024 based on Biggs Ltd's forecast.

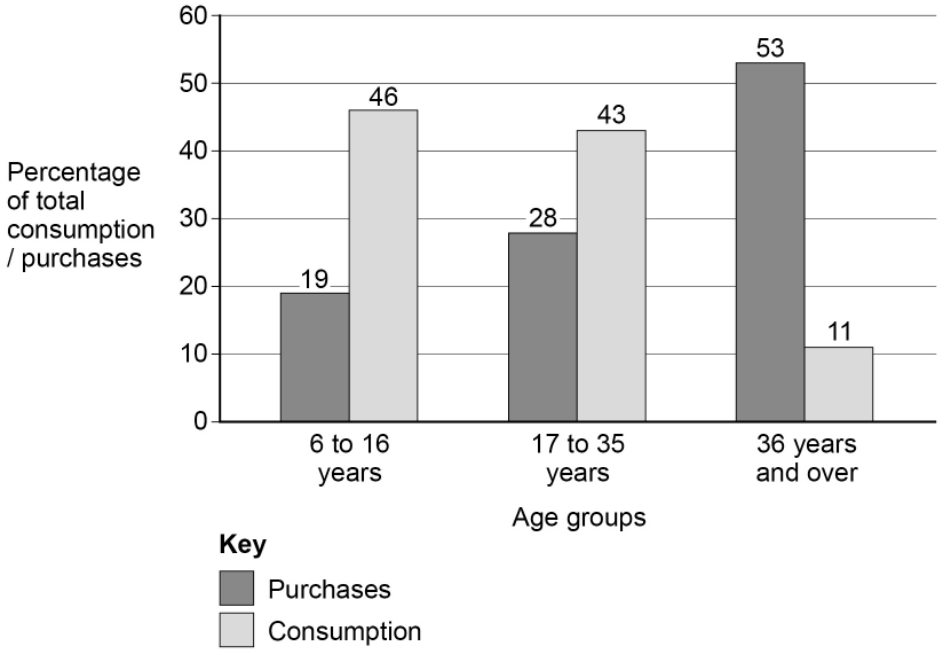
Appendix D Results of market research conducted with families on Biggs Ltd's new product range and the promotional campaign

Survey question	**Average survey score by age group**		
	6 to 16 years	17 to 35 years	36 years and over
I will definitely try the new products when they are available.	9.9	7.2	1.8
The promotional campaign improves my view of Biggs Ltd's brand.	8.3	6.3	8.0
I frequently consume snack foods at sports events.	8.9	6.9	2.7
Scale: 10 = strongly agree, 5 = neither agree nor disagree, 0 = strongly disagree			

Source: Data from 27 interviews with families, conducted by Biggs Ltd in 2021.

Do not write outside the box

Appendix E Percentage of snack products bought and consumed by different age groups



Results from a recent survey of 3000 respondents conducted by an independent market research firm.

Do not write outside the box

0 1 . 1 Using **Appendix A**, calculate Biggs Ltd's payables days ratio for 2023.

[4 marks]

4

0 1 . 2 Using the information provided, explain **one** reason why Biggs Ltd's gross profit margin for 2023 fell to 46.9%.

[3 marks]

3

Question 1 continues on the next page

Do not write outside the box

Section B

Answer **all** questions in this section.

16 Questions **16** and **17** are based on the data below.

Extract from accounts of Righton plc, 2024

	£m	£m
Non-current assets		335
Inventories	80	
Receivables	35	
Cash	40	
Payables	70	
Net current assets		85
Non-current liabilities		230
Total equity		190

Calculate the current ratio for Righton plc for 2024.

Show your working.

[4 marks]

Answer _____

Working _____

4

Do not write outside the box

Section B

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Payables	70	
Net current assets		85
Non-current liabilities		230
Total equity		190

Calculate the current ratio for Righton plc for 2024.

Show your working.

[4 marks]

Answer _____

Working _____

4

Do not write outside the box

1 7 Righton plc achieved a Return on Capital Employed (ROCE%) of 12% in 2024.

Calculate its operating profit.

Show your working.

[4 marks]

Answer _____

Working _____

_____

_____

_____

_____

_____

_____

4

Turn over for the next question

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

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

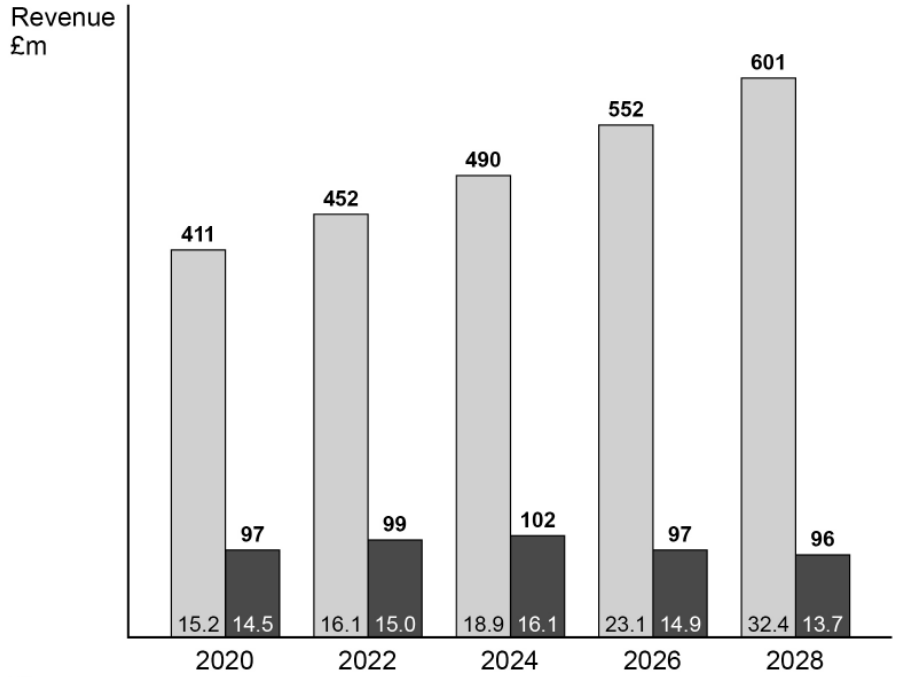
Note: The closing balance for 31 October is £4.30 million.

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.

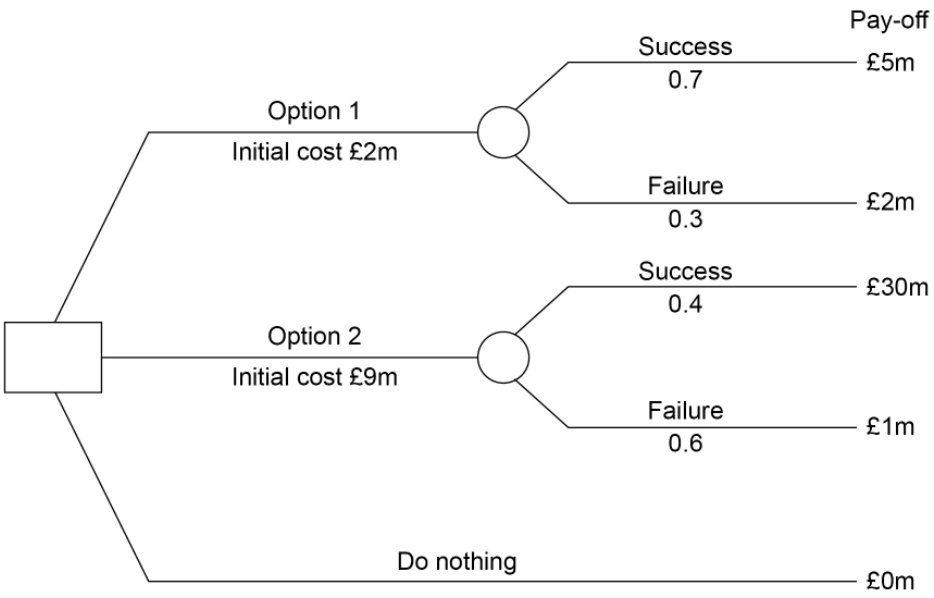
Appendices continue on the next page

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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



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

Do not write outside the box

0 1 . 1 The data in **Appendix A** assumed all customers would make immediate payments. With effect from 1 November, customers will be given one month's credit.

Calculate SCF's closing balance for November, assuming all customers take advantage of the new payment terms.

[3 marks]

3

0 1 . 2 Explain **one** possible reason for the change in inventory turnover shown in **Appendix B**.

[4 marks]

4

Question 1 continues on the next page

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Drake Hotels PLC owns 20 budget hotels in the UK. Each one is located in a different city. The industry is very competitive and Drake's managers all have an objective to help the business to be as efficient as possible.

Drake Hotels PLC's operating profit for the financial year 2019–20 was £18 million. Last month the company appointed a new Chief Executive, Mary Myers, to increase the profitability of the business. Mary was previously the Marketing Manager of an upmarket hotel chain.

Mary is already considering an investment proposal for a luxury hotel in Oxford. This hotel would target overseas visitors who might want to visit the city. Drake Hotels has found a suitable building but needs to invest to develop it.

Appendix A Investment appraisal results for the proposed investment into a new hotel in Oxford (based on net inflows for first eight years).

Average rate of return	12% per year
Net Present Value	£25 million

Source: Chief Executive

Appendix B Sensitivity analysis for the new Oxford hotel investment proposal

Two possible changes in the economy that might affect the investment appraisal results in Appendix A	**Estimated probability of this change happening**
The value of the pound against other currencies is 10% higher than originally forecasted.	20%
The average GDP growth in overseas countries is 1.5% higher than originally forecasted.	30%

Source: Chief Executive

Appendix C Selected financial data for Drake Hotels PLC

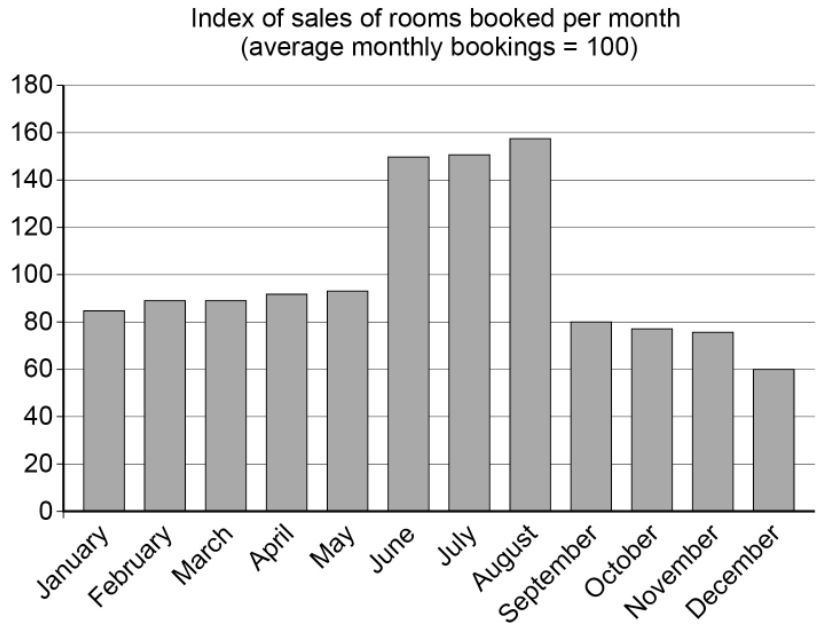
	£ million as at 1 May 2020
Current assets	15
Current liabilities	18
Total equity	170
Non-current liabilities	280

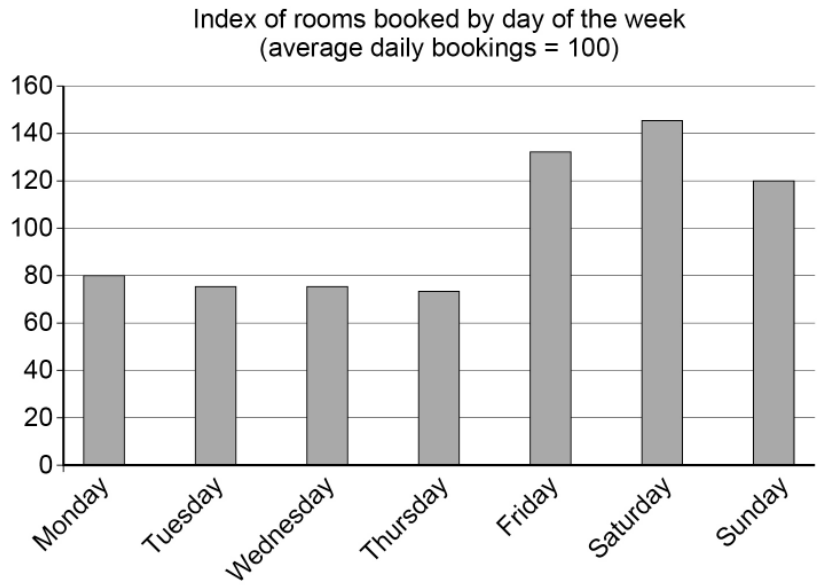
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Appendix D Forecasted data for Drake Hotels PLC's new Oxford hotel investment proposal

Initial investment required	£20 million
Estimated income elasticity of demand	+2
Percentage of customers visiting from overseas	70%
Estimated cost of borrowing for this investment	8% per annum

Appendix E Room bookings by month and day of the week in Drake Hotels PLC's budget hotels 2019





Do not write outside the box

0 1 . 1 Using the data in **Appendix C**, calculate the following ratios for Drake Hotels PLC in 2020.

[6 marks]

Current ratio _____

Gearing ratio _____

6

0 1 . 2 Use **Appendix B** to explain **one** reason why Drake Hotels PLC has used sensitivity analysis for the investment proposal.

[4 marks]

4

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

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

Do not write outside the box

0 2 . 2 Analyse **one** way the balance sheet of a business (its statement of financial position) might be affected if more of its employees work from home.

[6 marks]

6

Turn over for the next question

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

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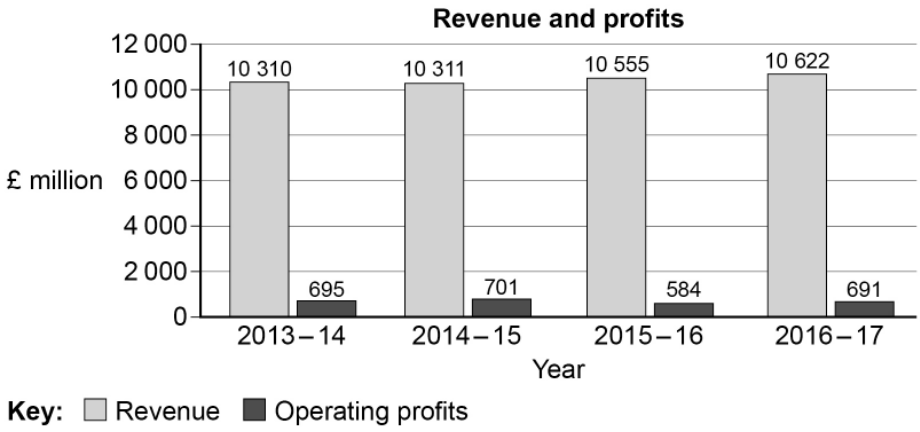
0 1 Marks and Spencer plc is one of the UK's leading retailers. It provides its own-brand food, clothing and home products in 1433 stores worldwide and online.

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

Balance sheet as at 1 April 2017

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

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



Do not write outside the box

Appendix C Marks and Spencer plc customer data for financial year ending 1 April 2017

	Total number of customers	Percentage change on previous year	Average number of times a year a customer buys from Marks & Spencer	Percentage change on previous year
Food	20.5 million	+2.0%	22.5	0%
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Appendix D Marks and Spencer plc online data

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Appendix E Information on Marks and Spencer plc's Board of Directors in 2017

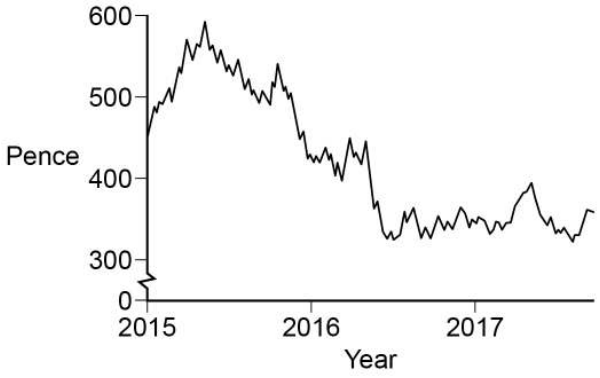
International experience: directors come from the following countries

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

Gender diversity: 70% of directors are male, 30% female

Industry sector experience of directors: retail 90%, consumer 100%, finance 60%, e-commerce and technology 40%

Appendix F Marks and Spencer plc's share price



Do not write outside the box

0 1 . 3 Calculate the following ratios for Marks and Spencer plc for the financial year ending 1 April 2017 to two decimal places.

[9 marks]

The return on capital employed _____

Workings _____

The gearing ratio _____

Workings _____

The current ratio _____

Workings _____

9

Question 1 continues on the next page

Do not write outside the box

1 9 The table below shows the changes in the two efficiency ratios for Wilson PLC, 2018–2019.

Ratios	2018	2019
Receivables days	30	45
Payables days	38	43

Analyse the implications of these changes for Wilson PLC's cash levels.

[9 marks]

9

Case study: KMH plc (A Level Paper 3, June 2017 insert)
The full case study for Q2 (12 marks), which follows on the next pages. Read it before answering.

Source 1

KMH plc

KMH plc is a multinational company with its headquarters in the UK. It designs, builds and maintains marine engines for ships and yachts. Revenue comes from two major sources. Around half its revenue comes from manufacturing and selling marine engines. The rest comes from providing support services for the engines, from regular checking and simple maintenance to more complex service arrangements. These services include KMH plc technicians monitoring engine performance minute by minute wherever it is in the world and making remote adjustments to the way an engine is operating.

Two market segments account for most of its engine sales – cruise ships and luxury yachts. KMH plc's market share for cruise ship engines is over 30%. Many of its customers (major cruise ship operators) have begun placing bigger orders as mergers and takeovers reduce the number of companies in this segment of the holiday industry (see **Appendix A**). Larger companies operating cruise ships can negotiate better deals from engine manufacturers, but KMH plc can also gain economies of scale as it works on larger orders, negotiating better deals with its own suppliers.

KMH plc is also market leader in the luxury yacht market – providing the engines and servicing for the vessels much loved by mega-rich company executives, notably from Russia and Middle Eastern oil-producing countries.

With key target markets for its marine engines consisting of cruise ship operators and buyers of luxury yachts, KMH plc's marketing mix is very different to many other large multinational businesses. These customers place relatively few orders for marine engines each year, but each purchase involves millions of pounds and complex negotiations. This requires KMH plc to have a specialised and highly skilled sales team with a detailed understanding of the technical benefits of its products and services.

Secrets of KMH plc's success

KMH plc puts a strong focus on Research and Development, allowing it to be a technological leader in its field, holding thousands of patents for innovative technologies developed in its research centres. KMH plc has invested heavily in training its staff and considers the excellence of its staff to be a fundamental source of competitive advantage. An apprenticeship academy was opened in Hull in 2012. Meanwhile, the company spent a total of £48.5m on training staff in 2016 to keep their skills up to date. Generous salaries alongside the excellent training make KMH plc one of Britain's favourite employers, shown by its low labour turnover. KMH plc aims to reap the rewards of its investment in people through ensuring that its maintenance services are world-class, whilst staff involved in Research and Development have the skills to develop market-leading new engines.

Much of KMH plc's success is down to the excellent fuel efficiency of its engines – a crucial selling point when oil prices are high. Its newest engine, the result of many years' Research and Development, is claimed to be 25% more efficient than those of its major rivals. In addition, KMH plc's maintenance and support contracts offer its customers peace of mind, aimed at preventing problems from occurring.

Turbulence for KMH plc

Despite its strengths, KMH plc was still vulnerable to changes in market conditions. 2015 and 2016 had been worrying times for KMH plc shareholders. In February 2015 the company was forced to issue a profit warning – advising the stock market that previous predictions of future profits might be inaccurate. Further warnings followed, each time downgrading expectations of future profits. **Appendix B** shows KMH plc's share price in 2015 and 2016. Financial data for the business can be found in **Appendix C**.

Journalists blamed KMH plc's poor financial performance in 2015 and 2016 on two major issues:

- worsening global economic conditions slowing revenue growth
- excessive costs.

Global economic growth rates have remained low and the incomes of consumers in many rich countries barely increased in real terms and are not forecast to rise for the next few years. This has had an impact on demand for cruise holidays. In addition, global oil prices have fallen. There are no clear signs that oil prices will rise again in the next couple of years.

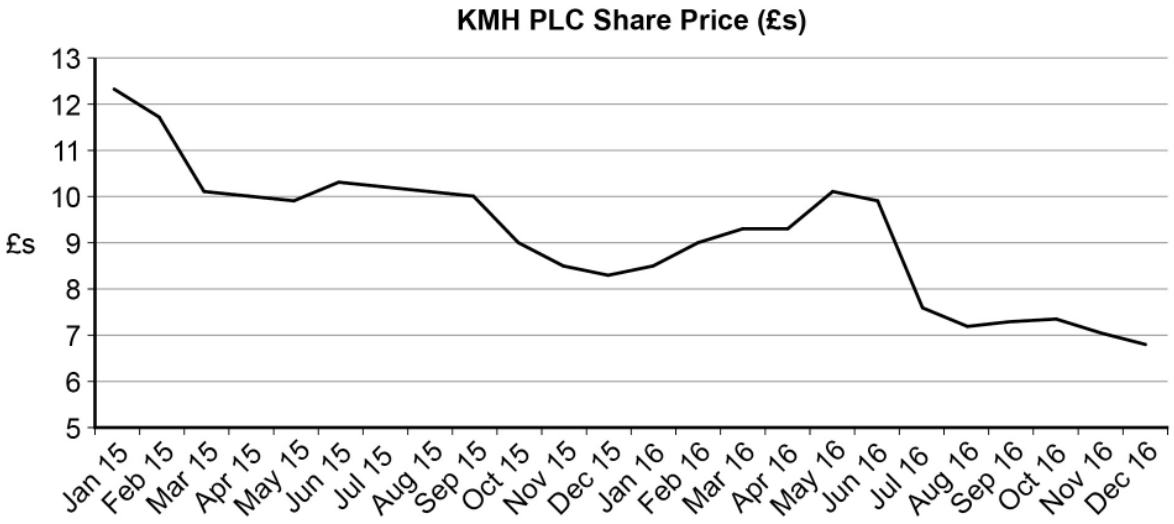
A new captain - a new strategy

In May 2016, KMH plc appointed Sir Rodney Short as its new Chief Executive. Sir Rodney was previously Chief Executive of ZQQZ plc – a British microchip manufacturer that he had turned into a world leader. Within weeks, Sir Rodney announced a major new strategy aimed at solving KMH plc's problems. One feature of the new strategy was an organisational restructuring. This was designed to reduce the size of the workforce. Most of the planned 140 job losses would be amongst senior managers (one in three senior managers would lose their jobs). Sir Rodney claimed that costs would be reduced by around £12m per year as a result after the costs of the restructuring. In addition, major investment (£50m) in new production machinery and a new factory is planned, aimed at reducing manufacturing costs and increasing total capacity. With such major changes planned, KMH plc's share price recovered slightly as the stock market gave Sir Rodney's strategy its approval, but there are plenty of details that need to be finalised, not least, how the changes are to be funded.

Appendix A

Top 5 Cruise Ship Holiday Providers - Market share (2016)	
CCL	48.1%
RCL	23.1%
NCL	10.4%
MSC Cruises	5.2%
Disney	2.8%
Others	10.4%

Appendix B



Appendix C

Table 1 Extracts from KMH plc balance sheets

	2015 (£m)	2016 (£m)
Non-current assets	5518.0	5104.0
Current assets	5594.0	6058.0
Current liabilities	(3842.5)	(4086.5)
Non-current liabilities	(4076.0)	(4567.5)
Net assets	3193.5	2508.0
Total equity	3193.5	2508.0

Table 2 Extracts from KMH plc income statements

	2014 (£m)	2015 (£m)	2016 (£m)
Revenue	7756.5	7441.7	6862.5
Gross profit	1658.4	1562.6	1399.8
Operating expenses	903.5	906.5	910.4
Operating profit	754.9	656.1	489.4

END OF SOURCE

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This question is based on the case study: KMH plc
A Level Paper 3, June 2017 insert. Printed in full on the pages just before this one (from page 61).

< CASE STUDY

Do not write outside the box

Extra space

12

0 2 Analyse, using **two** financial ratios, the financial constraints faced by KMH plc in attempting to fund the new strategy.

[12 marks]

Do not write outside the box

Extra space

12

Do not write outside the box

Section C

Answer **either** Question 21 **or** Question 22.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 1 ⬭ Question 2 2 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ⬭ ✓

2 1 To what extent are financial ratios the best way of assessing the performance of non-profit organisations, such as charities or mutuals?

[25 marks]

OR

2 2 A business changes its human resource management (HRM) approach from hard HRM to soft HRM.

To what extent is this change guaranteed to increase the motivation of all employees?

[25 marks]

Do not write outside the box

0 8 Which one of the following perspectives is **not** used by Kaplan and Norton's balanced scorecard?

[1 mark]

A Customer ⬭

B External businesses ⬭

C Financial ⬭

D Learning and growth ⬭

0 9 The table below shows the net annual return of an investment.

Year	Net return (£000s)
0	(1000)
1	500
2	900

After two years, the ARR (%) for this investment is

[1 mark]

A 90% ⬭

B 70% ⬭

C 40% ⬭

D 20% ⬭

Do not write outside the box

1 1 **Statement 1:** 'In a SWOT analysis, improvements in infrastructure are a strength for a business.'

Statement 2: 'In a SWOT analysis, an increase in the minimum wage may be a threat to a business.'

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. ⬭

1 2 Based on Kaplan & Norton's Balanced Scorecard model, a policy to increase Research and Development spending on new products by 5% would be an element of the:

[1 mark]

A customer perspective. ⬭

B financial perspective. ⬭

C internal business process perspective. ⬭

D learning and growth perspective. ⬭

1 3 Which one of the following is **least** likely to be an advantage of operating in a niche market for a small business?

[1 mark]

A Economies of scope ⬭

B Focused marketing ⬭

C Less competition ⬭

D Opportunity for tailor-made products ⬭

Do not write outside the box

1 3 QAQ plc measures performance in its four functional areas.

The table below summarises the 'target' and 'actual' levels of performance in 2024.

Measure of performance	Target level	Actual level
Capacity utilisation (%)	90%	90%
Labour turnover (%)	17%	17%
Market share (%)	13%	15%
ROCE (%)	15%	12%

Statement 1: 'The performance in operations is better than in marketing.'

Statement 2: 'The performance in finance is better than in human resources.'

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

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

1 4 **Statement 1**: 'Low supplier power may encourage a retailer to use a cost leadership strategy.'

Statement 2: 'A market leader may use a low-price strategy in order to create a barrier to entry.'

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. ⬭

Case study: Sunport PLC (A Level Paper 3, November 2020 insert)
The full case study for Q4 (16 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.

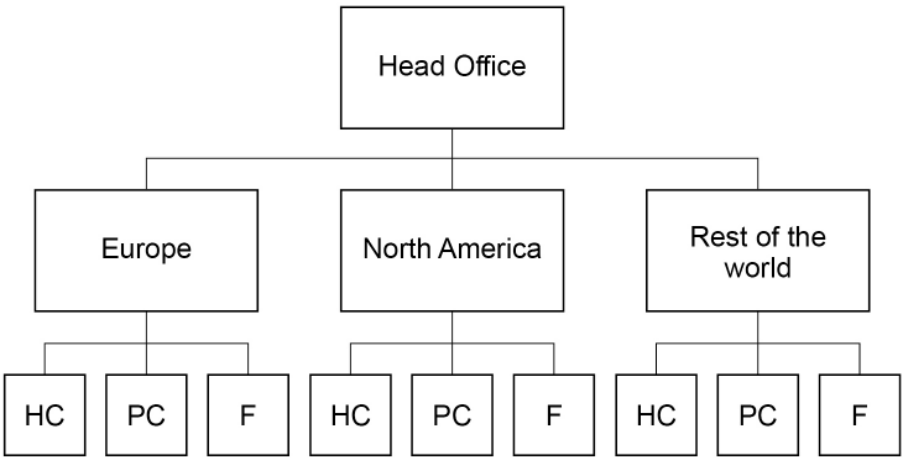
A socially responsible PLC

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.

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.

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.

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

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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 70).

< CASE STUDY

Do not write outside the box

0 4 Elaine's view is that Personal Care was Sunport PLC's most successful division in Europe in 2019.

To what extent do you agree with Elaine's view?

You should support your answer using **Appendix D** and the **other information provided**.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

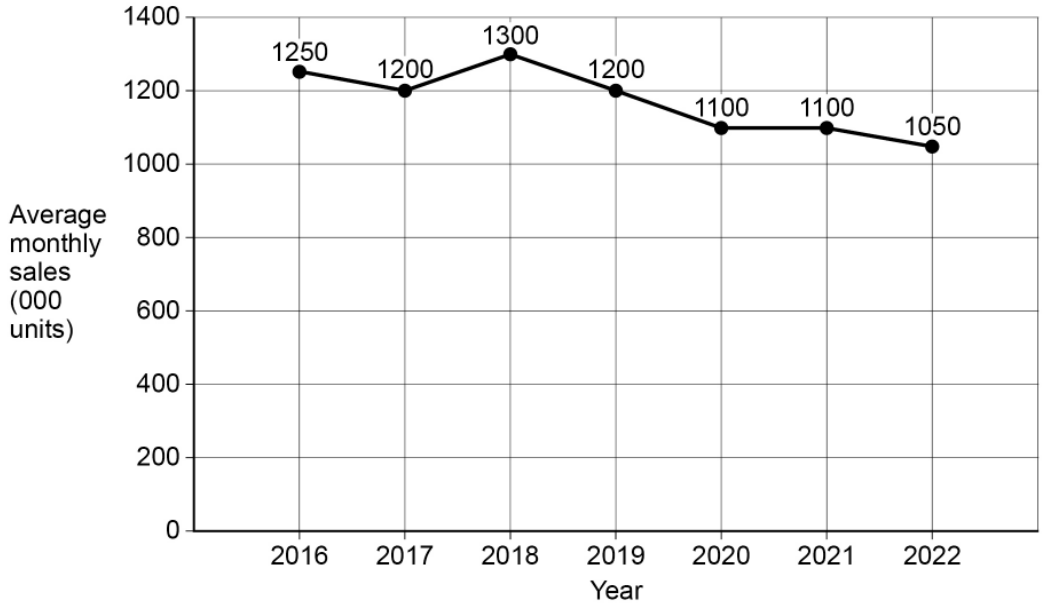
AJS plc

AJS plc is a manufacturer of non-recyclable packaging. This packaging is widely used by takeaway food outlets. AJS plc plans to invest £500 000 in new technology to increase capacity and make its factory more capital intensive.

Appendix A Data on proposed investment (produced by AJS plc's operations manager)

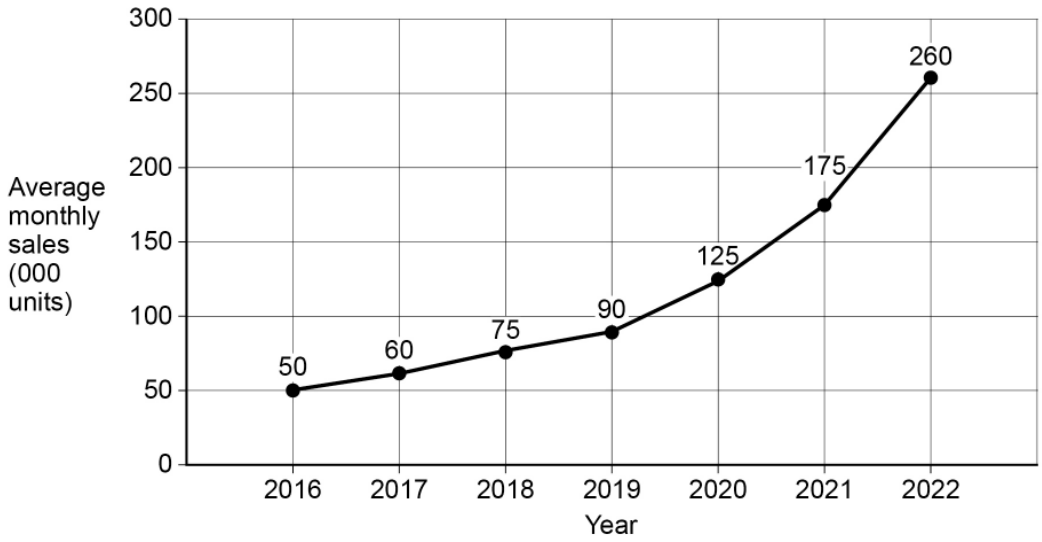
Year	Annual net cash flow £000s	Discount factor (10%)
0	(500)	1.00
1	(50)	0.91
2	250	0.83
3	600	0.75

Appendix B UK market for non-recyclable takeaway food packaging



Do not write outside the box

Appendix C UK market for recyclable takeaway food packaging



Appendix D Selected Human Resource data 2022

	AJS plc	Industry average
Average salary	£22 000	£26 000
Salary costs as a percentage of turnover (%)	40	35
Labour turnover (%)	15	4
Working days lost through industrial action	25	5
Average number of applicants for vacancies	14	55

Appendix E Selected Financial data for AJS plc

	2022
Current assets	£550 000
Current liabilities	£270 000
Non-current liabilities	£4m
Operating profit	£3m
Gearing	22%
Change in the share price of AJS plc over the year	–15%
Change in the share price of the top 100 UK companies over the year	+8%

Do not write outside the box

0 1 . 4 With reference to the data provided, would you advise a potential investor to buy shares in AJS plc?

Justify your view.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

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

Do not write outside the box

0 2 . 4 Would increased homeworking improve the performance of businesses that use Elkington's Triple Bottom Line to measure their success?

Justify your view.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section C

Answer **either** Question 22 **or** Question 23.

Shade the lozenge below to indicate which optional question(s) you have answered.

Question 2 2 ⬭ Question 2 3 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⊙ ≈ √

2 2 A business wants to increase the productivity of its workforce.

To what extent is the greater use of delegation likely to be an effective way for the business to achieve this?

[25 marks]

OR

2 3 A business has recently started to use Elkington's Triple Bottom Line to assess its overall performance.

To what extent do you think the business is likely to have lower profits as a result of this?

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

Do not write outside the box

25

Turn over for Section D

Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ⬭ √

2 3 More businesses are now using broad measures of overall business performance, such as Kaplan & Norton's Balanced Scorecard and Elkington's Triple Bottom Line, rather than focusing solely on financial ratio analysis.

To what extent does this mean that financial ratio analysis is no longer important to a business?

[25 marks]

OR

2 4 A business plans to improve its flexibility through mass customisation. Is it inevitable that improved flexibility will worsen other measures of its operational performance?

Justify your view.

[25 marks]

Turn over ►

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

WeRide plc

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

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

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

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

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

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

Do not write outside the box

0 2 . 3 Stricter laws have affected WR's taxi business.

To what extent do you think that legal changes create more threats than opportunities for businesses?

[16 marks]

16

Do not write outside the box

Extra space

Do not write outside the box

16

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

WWH Ltd

WWH Ltd manufactures and sells a single model of wood-burning stove. Rising energy prices mean that gas and electric heating is expensive to run. Wood-burning stoves are a cheaper and increasingly popular alternative source of heating in homes. This has led to an increase in demand for WWH Ltd's wood-burning stoves. WWH Ltd is profitable and owns its buildings.

WWH Ltd uses demand forecasts to estimate how many wood-burning stoves to make. Once manufactured, the stoves are stored in WWH Ltd's warehouse until they are needed. When a customer places an order, they pay a 25% deposit and the remaining 75% when the stove is fitted in the customer's home. The production department has been able to increase manufacturing to keep up with the growing demand. However, lead time for fitting by WWH Ltd's expert fitters has been increasing and is currently two months.

Looking to the future, WWH Ltd's directors are concerned. The government has introduced legislation to set environmental standards for wood-burning stoves. News media continue to run stories that the sale of wood-burning stoves may be banned completely in the future. This uncertainty means that banks are not willing to lend WWH Ltd any more money.

Up until now, WWH Ltd's directors have seen the focus on a single product as a strength which has allowed them to keep a simple organisational design:

- no need for research and development and new product development
- functional structure with department responsibilities unchanged since the business set up
- relatively flat structure which helps to keep costs under control.

Now, the directors want to grow the business and are considering recruiting more staff and developing a portfolio of new products. Developing newer models of wood-burning stoves may enable WWH Ltd to keep ahead of ever-increasing government environmental standards. Alternatively, developing unrelated products could reduce dependence on a market with increasing government regulation.

Do not write outside the box

0 3 . 3 ‘Legislation to protect the environment is always damaging to business.’

To what extent do you agree this is true for **all** businesses?

[16 marks]

20

Do not write outside the box

Extra space

2 0

Do not write outside the box

16

END OF QUESTIONS

Case study: Vignal Babbel Motors (VBM) (A Level Paper 3, June 2025 insert)
The full case study for Q5 (20 marks), which follows on the next pages. Read it before answering.

Vignal Babbel Motors (VBM)

Background information

Vignal Babbel Motors (VBM) is a car manufacturer based in Europe, with roots dating back over 100 years.

The car industry has changed rapidly in the last 20 years and the business has struggled to keep up with the pace of external change. VBM's previous success was based on a core competence of designing and building extremely efficient, reliable and long-lasting diesel engines.

Over 100 European cities have now introduced legislation creating low emission zones. This means that most diesel-powered vehicles' owners have to pay a daily fee to enter these zones. In addition, several European countries have announced that sales of new petrol- and diesel-powered vehicles will be banned in the future (see **Appendix A**). As a result, sales of diesel-powered vehicles have begun to fall rapidly in VBM's traditional European markets (see **Appendix B**).

VBM only began work on developing electric vehicles five years ago. The company does not expect to launch an electric-powered vehicle until next year. Many competitors are already selling large volumes of electric vehicles.

VBM's sales in Europe have fallen due to increased environmental concerns. However, demand for VBM's traditional diesel-powered vehicles has been rising in some parts of South-East Asia, particularly Vietnam. The directors have started to discuss plans to build and operate a new factory in Vietnam to meet the rising demand in its South-East Asian markets.

Internal conflict

Meetings of the Board of Directors have been difficult for the last few years. Several directors have argued that the company must fight hard to maintain its share of the European market. They argue for the need to show loyalty to the company's employees and traditional customer base in Europe. They hope this will avoid the bad publicity caused by factory closures and the related redundancies.

However, another group of directors has stressed the need to better match capacity to changing global patterns of demand. This group proposes a strategy of retrenchment – closing three of VBM's four European factories. These closures would mean around 5000 redundancies. VBM would maintain just one European factory that would concentrate on producing electric vehicles for the European market. The capital released could be used to fund the construction of the proposed factory in Vietnam.

Major changes agreed

The proposals to retrench VBM's European operations and build the factory in Vietnam were approved at last month's annual shareholders' meeting. Since then, plans have been developed for the opening of the Vietnamese factory (see **Appendix C**). VBM's Operations Director is leading the project. He has drawn up a network diagram showing that the factory could be opened in a year.

The HR Director has warned that the diagram is based on some optimistic assumptions:

'We have no experience of operating in Vietnam. We will need to understand recruitment systems and legislation plus train staff to operate the technology that we plan to use in the factory.'

The HR Director has advised that:

- the time allowed for recruitment should be increased by one month
- training the new workforce will take two months longer than initially predicted.

Retrenchment in Europe

Meanwhile, a retrenchment plan has been developed. This plan deals with:

- the process of closing three European factories
- adjusting VBM's marketing strategy to selling electric vehicles instead of petrol- and diesel-powered vehicles in Europe.

The plan also:

- outlines how and when announcements of factory closures plus 5000 redundancies will be made
- includes details of the redundancy settlements required for staff
- details the HR department's role in consulting with stakeholder groups on how to reduce the effects of the factory closures.

Appendix A

Table 1 Selected places where legislation has been passed, banning sales of new petrol- and diesel-powered vehicles, showing date when ban starts

Place	Start of ban
Norway	2025
UK	2030
EU	2035
California (USA)	2035
Quebec (Canada)	2035
China	2035

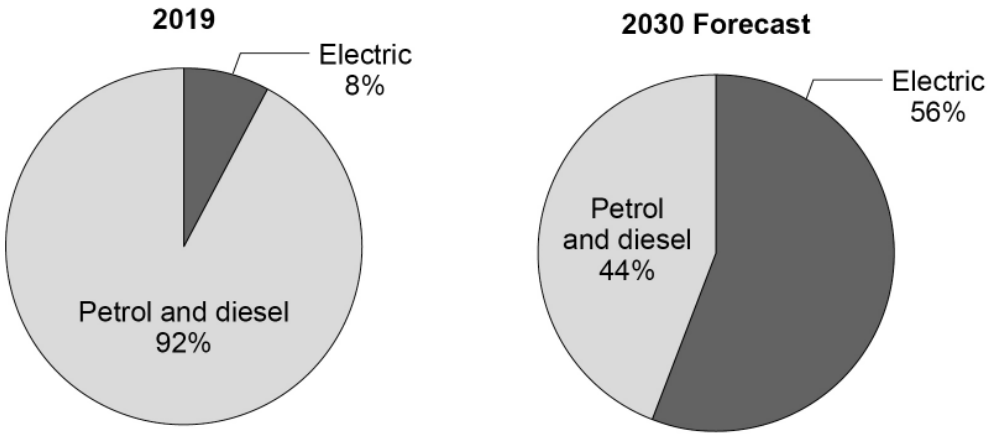
Turn over for Appendices B and C

Appendix B Total car sales by power source

Table 2 Percentage of total car sales in the EU that use diesel engines

Year	Diesel-powered vehicles' share of European Union car market
2015	52%
2019	32%
2025 (forecast)	17%

Figure 1 Global car sales market share by power source

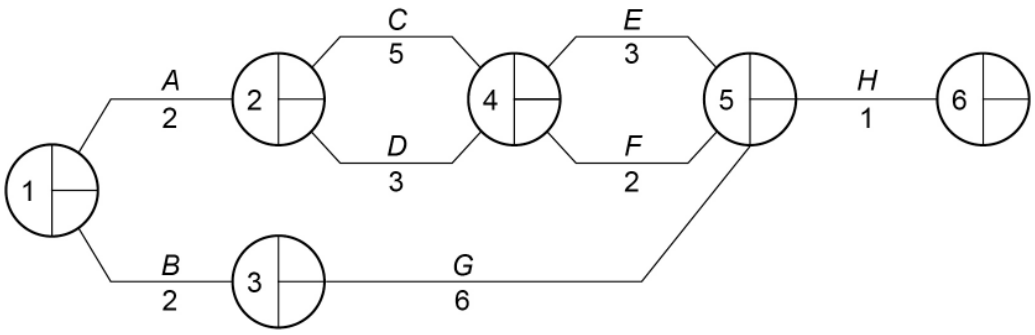


Appendix C

Table 3 Data used to construct network diagram in **Figure 2**

Activity		**Operations Director's expected duration (Months)**
A	Prepare site	2
B	Recruit workforce	2
C	Build factory building	5
D	Purchase production equipment	3
E	Find and contract suppliers	3
F	Install equipment	2
G	Train workforce	6
H	Test production line	1

Figure 2 Network diagram for new factory opening



END OF SOURCES

This question is based on the case study: Vignal Babbel Motors (VBM)
A Level Paper 3, June 2025 insert. Printed in full on the pages just before this one (from page 96).

< CASE STUDY

Do not write outside the box

0 5 To what extent do you agree that VBM's biggest threat is changes in legislation?

[20 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Do not write outside the box

20

Do not write outside the box

0 5 Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

A Decreasing interest rates and decreasing taxation ⬭

B Decreasing interest rates and increasing taxation ⬭

C Increasing interest rates and decreasing taxation ⬭

D Increasing interest rates and increasing taxation ⬭

[1 mark]

0 6 A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

A economic responsibility. ⬭

B ethical responsibility. ⬭

C legal responsibility. ⬭

D philanthropic responsibility. ⬭

[1 mark]

0 7 An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

A investment criteria. ⬭

B non-financial factors. ⬭

C sensitivity analysis. ⬭

D the discount rate. ⬭

[1 mark]

Do not write outside the box

0 5 Which **one** of these changes would lead to an increase in the level of output needed to break-even?

A decrease in

A fixed costs. ⬭

B margin of safety. ⬭

C unit selling price. ⬭

D variable costs per unit. ⬭

[1 mark]

0 6 Lower UK interest rates are likely to lead to an increase in the volume of UK exports because they probably lead to

A a rise in costs of UK businesses and a rise in the exchange rate of the pound. ⬭

B a rise in costs of UK businesses and a fall in the exchange rate of the pound. ⬭

C a fall in costs of UK businesses and a rise in the exchange rate of the pound. ⬭

D a fall in costs of UK businesses and a fall in the exchange rate of the pound. ⬭

[1 mark]

0 7 A business has more current liabilities than current assets and shareholders provide 90% of its capital employed.

This business has

A a high current ratio and high gearing. ⬭

B a high current ratio and low gearing. ⬭

C a low current ratio and high gearing. ⬭

D a low current ratio and low gearing. ⬭

[1 mark]

Do not write outside the box

0 7 Strategic drift occurs when a business

A implements a plan that has been designed to cope with unexpected and unwelcome changes. ⬭

B introduces a previously unplanned strategy in response to external changes. ⬭

C introduces a previously unplanned strategy in response to internal changes. ⬭

D maintains a strategy that is no longer suited to current circumstances. ⬭

[1 mark]

0 8 Statement 1: 'According to Ansoff, market penetration involves selling an existing product in a new market.'
Statement 2: 'According to Ansoff, diversification can be either developing a new product or entering a new market.'

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 9 Decreasing government subsidies on a country's agriculture would be

A fiscal policy which encourages more open trade. ⬭

B fiscal policy which increases protectionism. ⬭

C monetary policy which encourages more open trade. ⬭

D monetary policy which increases protectionism. ⬭

[1 mark]

Turn over ►

Do not write outside the box

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. ⬭

Do not write outside the box

1 2 The exchange rate for the £ increases.

This will lead to which one of the following outcomes?

[1 mark]

	Costs of imports to UK	Demand for UK exports	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

1 3 A business' current liabilities are three times the level of its current assets.

Shareholders provide 20% of its capital employed.

This business has:

[1 mark]

A a high current ratio and a high gearing. ⬭

B a high current ratio and a low gearing. ⬭

C a low current ratio and a high gearing. ⬭

D a low current ratio and a low gearing. ⬭

Turn over for the next question

Do not write outside the box

0 3 Options **A** to **D** show four possible changes to the UK economy.

Based **solely** on these changes, which option will lead to the largest increase in UK imports?

[1 mark]

A A fall in GDP and a fall in the exchange rate value of the pound ⬭

B A fall in GDP and a rise in the exchange rate value of the pound ⬭

C A rise in GDP and a fall in the exchange rate value of the pound ⬭

D A rise in GDP and a rise in the exchange rate value of the pound ⬭

0 4 Product 'X' was the market leader in a low growth market.

New promotions by competitors lead to rapid growth in the market.

However, Product 'X' still retains its market leadership.

In terms of the Boston Matrix, Product 'X' has changed from:

[1 mark]

A a cash cow to a question mark. ⬭

B a cash cow to a star. ⬭

C a question mark to a star. ⬭

D a star to a cash cow. ⬭

0 5 **Statement 1**: 'According to Ansoff's matrix, diversification is the most risky strategy.'

Statement 2: 'According to Ansoff's matrix, market penetration is the least risky strategy.'

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

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Disrupted supply

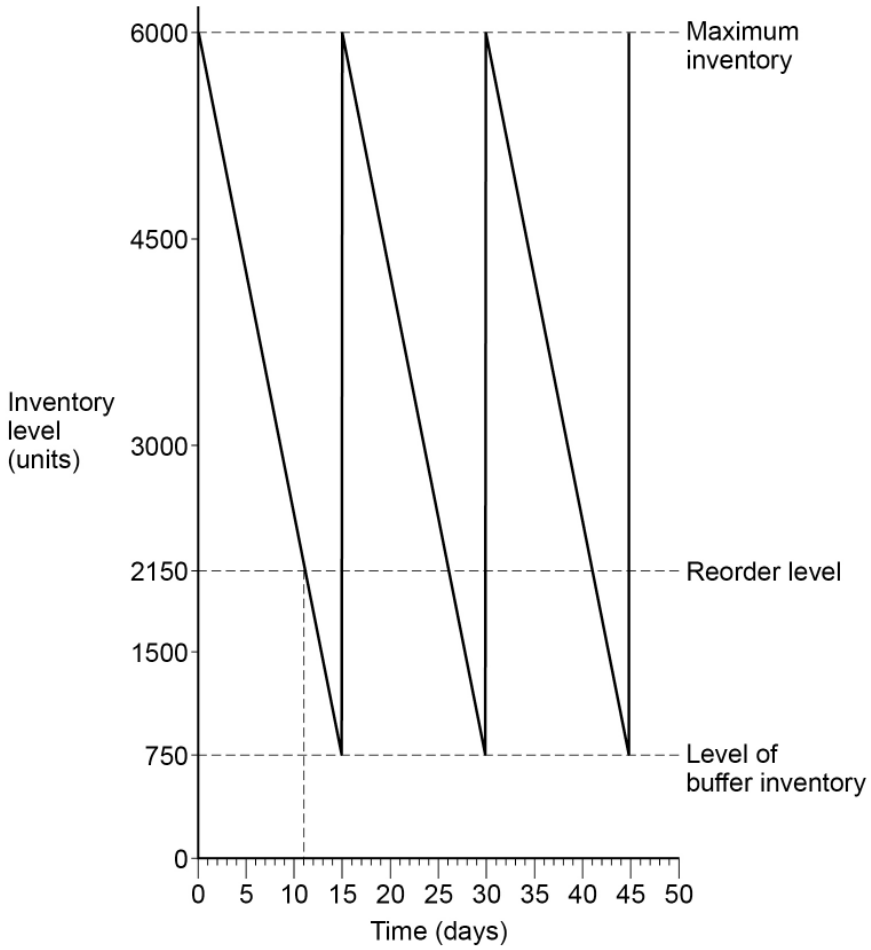
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

Figure 1 Inventory control chart showing DT's usual pattern before disruption



2

Do not write outside the box

0 3 . 4 Explain **one** impact of a fall in the value of the pound on DT's sales.

[4 marks]

4

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Nari

Nari is a mobile phone manufacturer based in Asia. Although its brand name is not as strong as the Apple iPhone, Nari's phones sell at much lower prices which make them competitive. Nari adds new features to its phones and develops new models every few months. The company has an objective of 95% of sales from products launched in the last year. It has relatively low profit margins but high sales volumes.

To win business, Nari promises the retailers that sell its phones a lead time of 48 hours; any delay results in a major discount for the retailers on the products they have ordered.

To achieve low prices and still be profitable, the company focuses on being more efficient than its rivals. The company has a 'Just in Time' approach to manufacturing. It has a global supply chain with hundreds of different suppliers of components based in more than 50 countries. These components are delivered using a variety of transportation methods every few hours from all over the world to its assembly factories in China.

Some of Nari's suppliers have factories based in emerging economies. The managers of a number of these suppliers use Taylor's motivation theory to motivate their employees.

The company invests heavily in projects to help local communities where it is based. It contributes some of its profits every year to charities and provides significant finance for initiatives to protect the environment.

Nari has recently experienced protectionism in its European markets as governments have limited the number of phones it can sell in their countries.

Regional breakdown of Nari's global sales in 2019

	%
USA	5
Asia	55
Europe	30
Rest of the world	10

Do not write outside the box

0 2 . 1 Nari operates on the highest level of Carroll's Corporate Social Responsibility pyramid.

Explain how the information provided supports this view.

[3 marks]

3

0 2 . 2 Nari is experiencing protectionism in its European markets.

Explain how Nari's marketing managers might respond to this protectionism.

[5 marks]

Extra space

5

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0 2 Read the information below and then answer the questions that follow.

Daihatsu

Daihatsu is a Japanese manufacturer of small cars. Its customers are now able to customise their vehicles with car panels that they design for themselves online. Until recently customising cars was expensive because it required skilled craftsmen to produce individual parts.

With 3-D printing, panels can be produced quickly and cheaply. Customers ordering a Daihatsu car from their local dealership can design their own panels for the sides of the car to create exactly the look that they want. Offering more customisation is one way that car manufacturers are trying to gain a competitive advantage in a fiercely competitive environment.

Cars are a high value item for consumers and are usually bought on credit; the finance to buy the car is often provided by the manufacturer. In 2016 over 74 million cars were sold worldwide. This represents a global capacity utilisation in the car industry of only 78%. Some commentators predict global capacity utilisation in the industry will fall in the next few years and that many car manufacturers will respond to this situation by price cutting.

0 2 . 1 Explain how mass customisation benefits the shareholders of car manufacturers.

[6 marks]

Do not write outside the box

Extra space

6

0 2 . 2 Analyse the likely effects of a significant increase in interest rates on the profits of car manufacturers.

[9 marks]

Do not write outside the box

Extra space

9

Do not write outside the box

0 2 . 3 Many car manufacturers are expected to respond to a fall in overall capacity utilisation in the industry by cutting prices.

To what extent is cutting prices a good way for **any** business to respond to a fall in the overall capacity utilisation in its industry?

[16 marks]

Do not write outside the box

1 9 **Table 3** below shows data on GDP and exchange rates for Country X in 2019 and 2020.

The currency of Country X is the peso.

Table 3 GDP and exchange rates for Country X

	2019	2020
Index of GDP	200	210
Value of peso in US $	$1.00	$1.10

A business manufactures and sells its products in Country X, but imports raw materials from the United States of America (US).

Analyse the possible impact of the changes in these data on the profitability of this business.

[9 marks]

9

Do not write outside the box

2 0 A UK manufacturer is highly geared and exports 60% of its output.

Analyse the impact of a significant increase in UK interest rates on this business.

[9 marks]

Extra space

9

Do not write outside the box

1 9 Analyse how a government changing its fiscal policy might affect a business which produces healthcare products.

[9 marks]

Extra space

9

0 2 Read the information below and then answer the questions that follow.

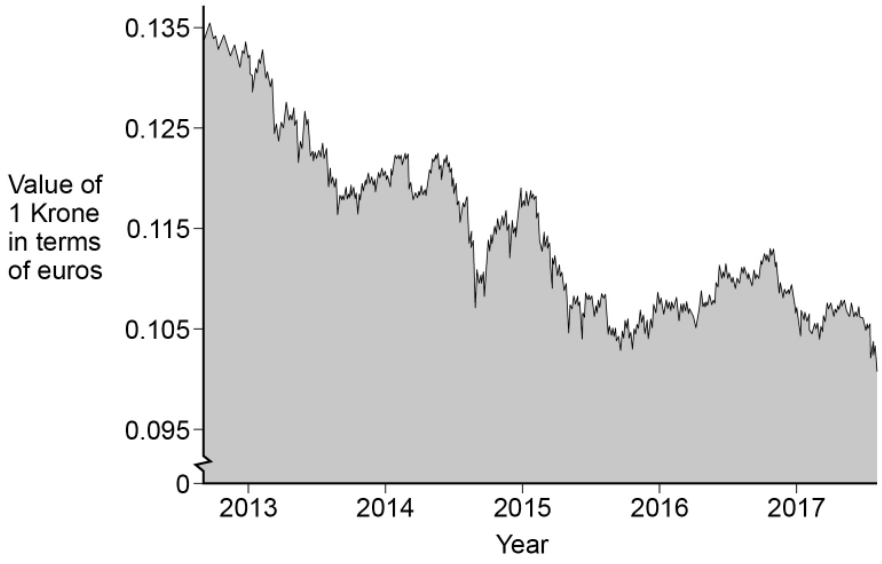
Do not write outside the box

Lego

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

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

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



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

0 2 . 3 Lego's profits depend partly on exchange rate changes. To what extent do you think managers of **all** businesses need to worry about the impact of exchange rates on profits?

[16 marks]

Do not write outside the box

Do not write outside the box

Extra space

Do not write outside the box

16

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

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

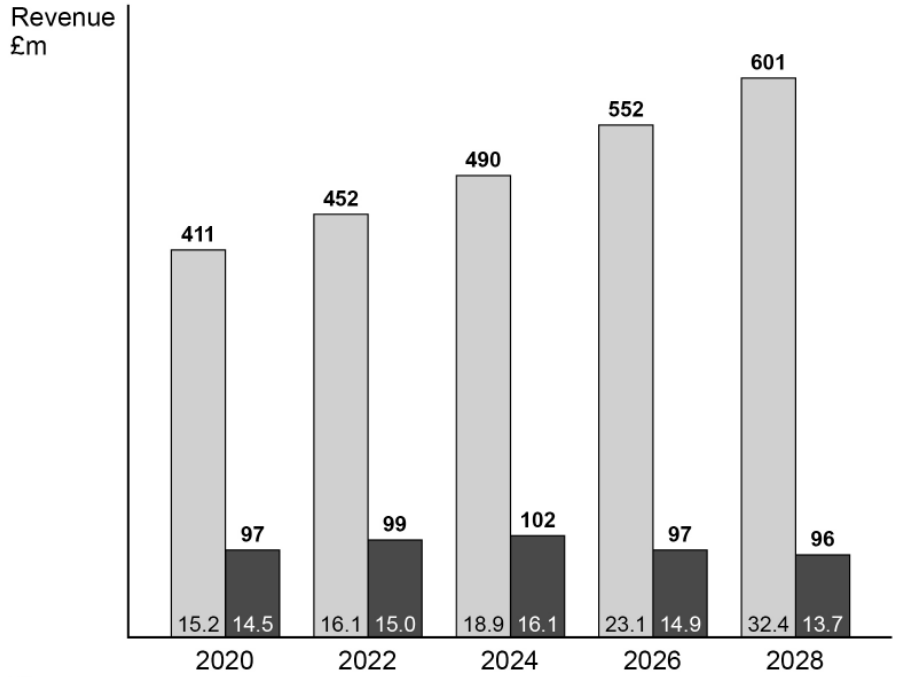
Note: The closing balance for 31 October is £4.30 million.

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.

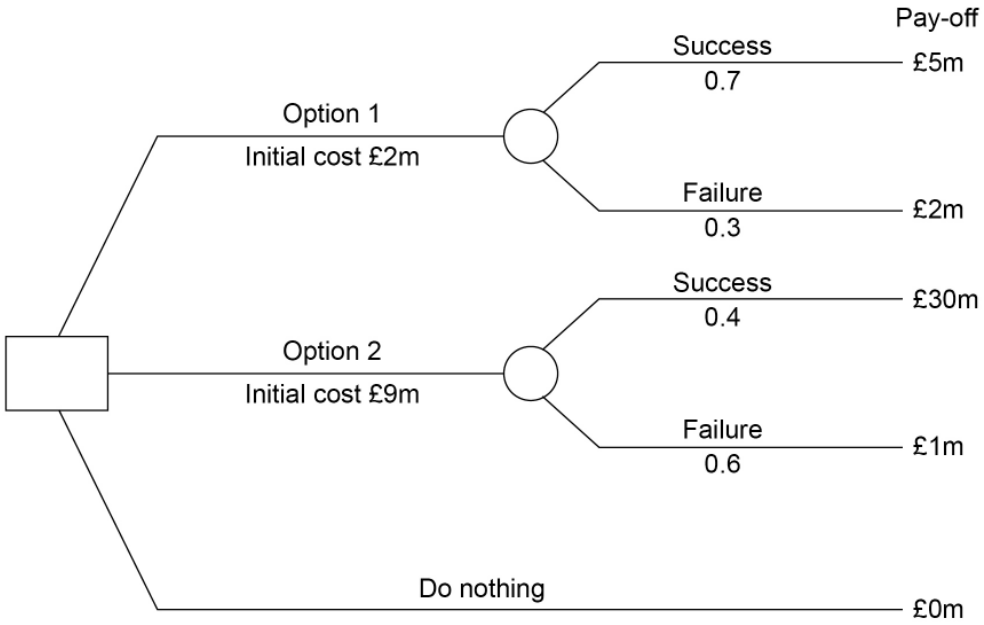
Appendices continue on the next page

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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



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

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0 1 . 4 To what extent do the changes in the economic environment create more threats than opportunities for SCF?

Use **Appendix E** and the other information provided in your answer.

[16 marks]

8

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16

Case study: KMH plc (A Level Paper 3, June 2017 insert)
The full case study for Q5 (20 marks), which follows on the next pages. Read it before answering.

Source 1

KMH plc

KMH plc is a multinational company with its headquarters in the UK. It designs, builds and maintains marine engines for ships and yachts. Revenue comes from two major sources. Around half its revenue comes from manufacturing and selling marine engines. The rest comes from providing support services for the engines, from regular checking and simple maintenance to more complex service arrangements. These services include KMH plc technicians monitoring engine performance minute by minute wherever it is in the world and making remote adjustments to the way an engine is operating.

Two market segments account for most of its engine sales – cruise ships and luxury yachts. KMH plc's market share for cruise ship engines is over 30%. Many of its customers (major cruise ship operators) have begun placing bigger orders as mergers and takeovers reduce the number of companies in this segment of the holiday industry (see **Appendix A**). Larger companies operating cruise ships can negotiate better deals from engine manufacturers, but KMH plc can also gain economies of scale as it works on larger orders, negotiating better deals with its own suppliers.

KMH plc is also market leader in the luxury yacht market – providing the engines and servicing for the vessels much loved by mega-rich company executives, notably from Russia and Middle Eastern oil-producing countries.

With key target markets for its marine engines consisting of cruise ship operators and buyers of luxury yachts, KMH plc's marketing mix is very different to many other large multinational businesses. These customers place relatively few orders for marine engines each year, but each purchase involves millions of pounds and complex negotiations. This requires KMH plc to have a specialised and highly skilled sales team with a detailed understanding of the technical benefits of its products and services.

Secrets of KMH plc's success

KMH plc puts a strong focus on Research and Development, allowing it to be a technological leader in its field, holding thousands of patents for innovative technologies developed in its research centres. KMH plc has invested heavily in training its staff and considers the excellence of its staff to be a fundamental source of competitive advantage. An apprenticeship academy was opened in Hull in 2012. Meanwhile, the company spent a total of £48.5m on training staff in 2016 to keep their skills up to date. Generous salaries alongside the excellent training make KMH plc one of Britain's favourite employers, shown by its low labour turnover. KMH plc aims to reap the rewards of its investment in people through ensuring that its maintenance services are world-class, whilst staff involved in Research and Development have the skills to develop market-leading new engines.

Much of KMH plc's success is down to the excellent fuel efficiency of its engines – a crucial selling point when oil prices are high. Its newest engine, the result of many years' Research and Development, is claimed to be 25% more efficient than those of its major rivals. In addition, KMH plc's maintenance and support contracts offer its customers peace of mind, aimed at preventing problems from occurring.

Turbulence for KMH plc

Despite its strengths, KMH plc was still vulnerable to changes in market conditions. 2015 and 2016 had been worrying times for KMH plc shareholders. In February 2015 the company was forced to issue a profit warning – advising the stock market that previous predictions of future profits might be inaccurate. Further warnings followed, each time downgrading expectations of future profits. **Appendix B** shows KMH plc's share price in 2015 and 2016. Financial data for the business can be found in **Appendix C**.

Journalists blamed KMH plc's poor financial performance in 2015 and 2016 on two major issues:

- worsening global economic conditions slowing revenue growth
- excessive costs.

Global economic growth rates have remained low and the incomes of consumers in many rich countries barely increased in real terms and are not forecast to rise for the next few years. This has had an impact on demand for cruise holidays. In addition, global oil prices have fallen. There are no clear signs that oil prices will rise again in the next couple of years.

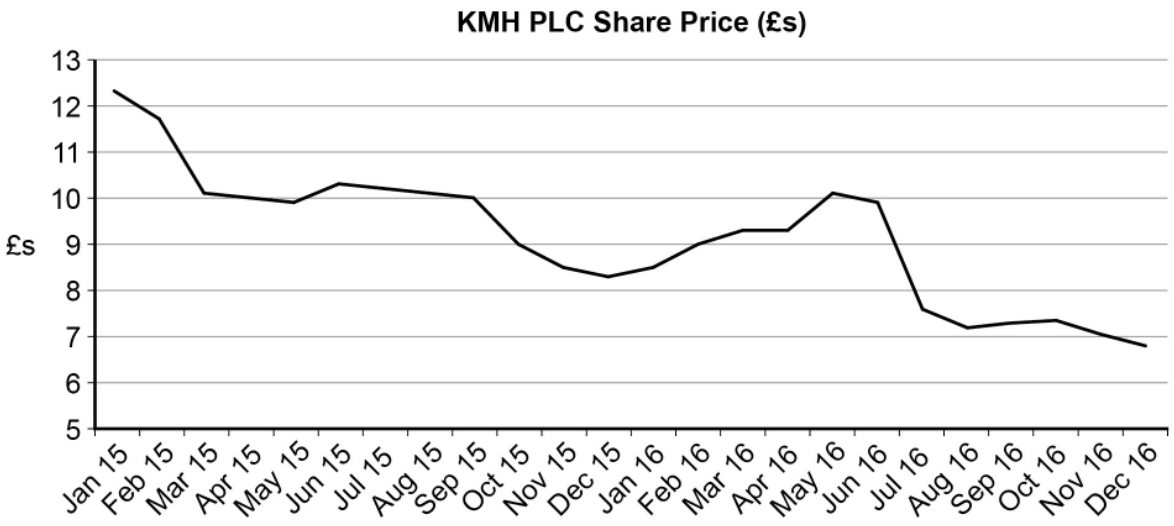
A new captain - a new strategy

In May 2016, KMH plc appointed Sir Rodney Short as its new Chief Executive. Sir Rodney was previously Chief Executive of ZQQZ plc – a British microchip manufacturer that he had turned into a world leader. Within weeks, Sir Rodney announced a major new strategy aimed at solving KMH plc's problems. One feature of the new strategy was an organisational restructuring. This was designed to reduce the size of the workforce. Most of the planned 140 job losses would be amongst senior managers (one in three senior managers would lose their jobs). Sir Rodney claimed that costs would be reduced by around £12m per year as a result after the costs of the restructuring. In addition, major investment (£50m) in new production machinery and a new factory is planned, aimed at reducing manufacturing costs and increasing total capacity. With such major changes planned, KMH plc's share price recovered slightly as the stock market gave Sir Rodney's strategy its approval, but there are plenty of details that need to be finalised, not least, how the changes are to be funded.

Appendix A

Top 5 Cruise Ship Holiday Providers - Market share (2016)	
CCL	48.1%
RCL	23.1%
NCL	10.4%
MSC Cruises	5.2%
Disney	2.8%
Others	10.4%

Appendix B



Appendix C

Table 1 Extracts from KMH plc balance sheets

	2015 (£m)	2016 (£m)
Non-current assets	5518.0	5104.0
Current assets	5594.0	6058.0
Current liabilities	(3842.5)	(4086.5)
Non-current liabilities	(4076.0)	(4567.5)
Net assets	3193.5	2508.0
Total equity	3193.5	2508.0

Table 2 Extracts from KMH plc income statements

	2014 (£m)	2015 (£m)	2016 (£m)
Revenue	7756.5	7441.7	6862.5
Gross profit	1658.4	1562.6	1399.8
Operating expenses	903.5	906.5	910.4
Operating profit	754.9	656.1	489.4

END OF SOURCE

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This question is based on the case study: KMH plc
A Level Paper 3, June 2017 insert. Printed in full on the pages just before this one (from page 130).

< CASE STUDY

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0 5 Most journalists blamed the fall in KMH plc's profits on either a failure to control costs or a slowdown in the growth of the global economy. Which of these two reasons do you think is the main cause? Justify your answer using information from the case study and Table 2 in **Appendix C**.

[20 marks]

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Extra space

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20

Turn over for the next question

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Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question(s) you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ≋ ⌀

2 3 To what extent do you think that UK businesses will experience a fall in profit if governments limit free trade by adopting more protectionist policies?

[25 marks]

OR

2 4 Are demographic factors now more significant than economic factors in influencing the performance of UK businesses? Justify your view.

[25 marks]

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Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ✗ ⬭ ✓ ✓

2 3 'Emerging economies are beneficial to UK businesses, but only as potential markets to help UK businesses to achieve growth.'

Do you agree? Justify your view.

[25 marks]

OR

2 4 A business decides to make increasing profits its main objective.

Is it inevitable that this business will need to improve its quality to achieve this objective? Justify your view.

[25 marks]

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0 5 Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

A Decreasing interest rates and decreasing taxation ⬭

B Decreasing interest rates and increasing taxation ⬭

C Increasing interest rates and decreasing taxation ⬭

D Increasing interest rates and increasing taxation ⬭

[1 mark]

0 6 A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

A economic responsibility. ⬭

B ethical responsibility. ⬭

C legal responsibility. ⬭

D philanthropic responsibility. ⬭

[1 mark]

0 7 An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

A investment criteria. ⬭

B non-financial factors. ⬭

C sensitivity analysis. ⬭

D the discount rate. ⬭

[1 mark]

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

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0 1 Read the information below and then answer the questions that follow.

Banking on change

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

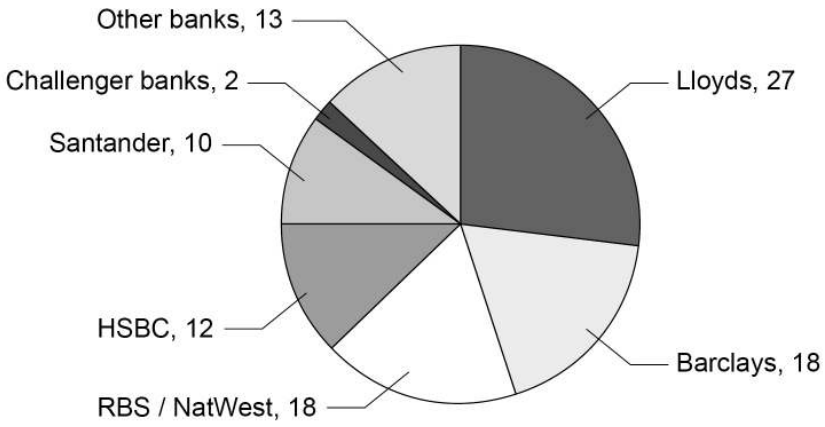
New technology and changes to government rules have opened the market to competition from relatively new entrants called 'challengers'. Challenger banks target a niche and aim to provide better customer service.

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

Appendix A Examples of types of challenger bank

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

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



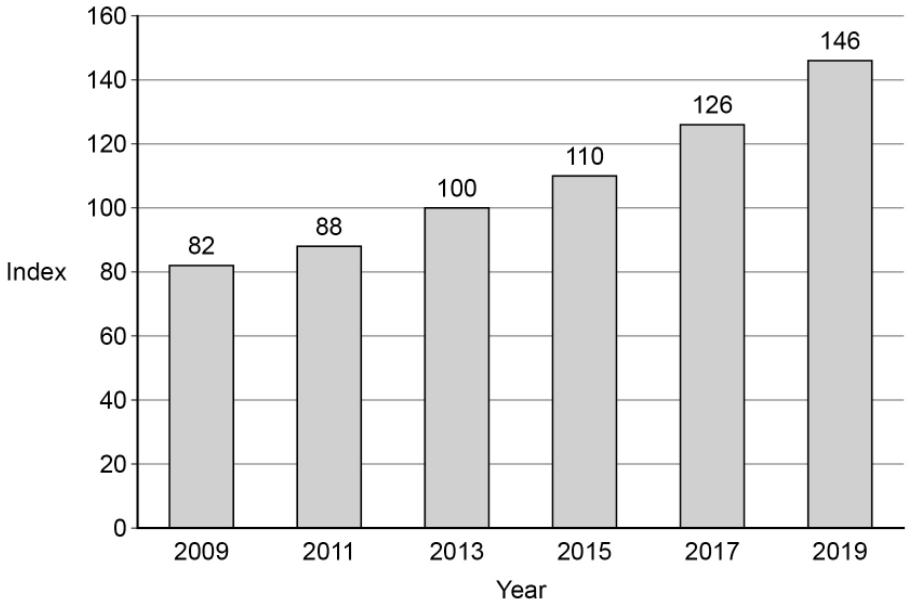
Note: The 'Big 5' banks are Lloyds, Barclays, RBS/NatWest, HSBC, Santander

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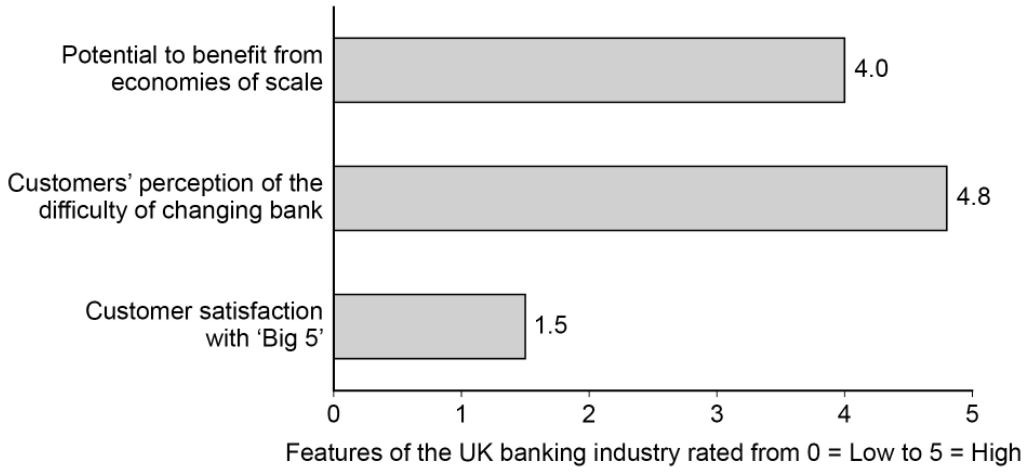
Appendix C Selected share price and market capitalisation information

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

Appendix D People using online banking (2009–2019)
(Index: base year 2013)



Appendix E Analysis of UK banking industry (2019)



Turn over ►

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

[3 marks]

3

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

[2 marks]

2

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

[4 marks]

4

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Nari

Nari is a mobile phone manufacturer based in Asia. Although its brand name is not as strong as the Apple iPhone, Nari's phones sell at much lower prices which make them competitive. Nari adds new features to its phones and develops new models every few months. The company has an objective of 95% of sales from products launched in the last year. It has relatively low profit margins but high sales volumes.

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Some of Nari's suppliers have factories based in emerging economies. The managers of a number of these suppliers use Taylor's motivation theory to motivate their employees.

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Regional breakdown of Nari's global sales in 2019

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Europe	30
Rest of the world	10

Do not write outside the box

0 2 . 1 Nari operates on the highest level of Carroll's Corporate Social Responsibility pyramid.

Explain how the information provided supports this view.

[3 marks]

3

0 2 . 2 Nari is experiencing protectionism in its European markets.

Explain how Nari's marketing managers might respond to this protectionism.

[5 marks]

Extra space

5

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0 2 Read the information below and then answer the questions that follow.

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

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0 3 Read the information below and then answer the questions that follow.

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.

0 3 . 1 Explain why APO's survey findings may not represent the views of UK consumers.

[4 marks]

4

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0 3 . 4 ‘Businesses will never act in a socially responsible way unless they are forced to do so by governments.’

To what extent is this true for **all** businesses?

[16 marks]

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END OF QUESTIONS

16

Case study: Sunport PLC (A Level Paper 3, November 2020 insert)
The full case study for Q6 (24 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.

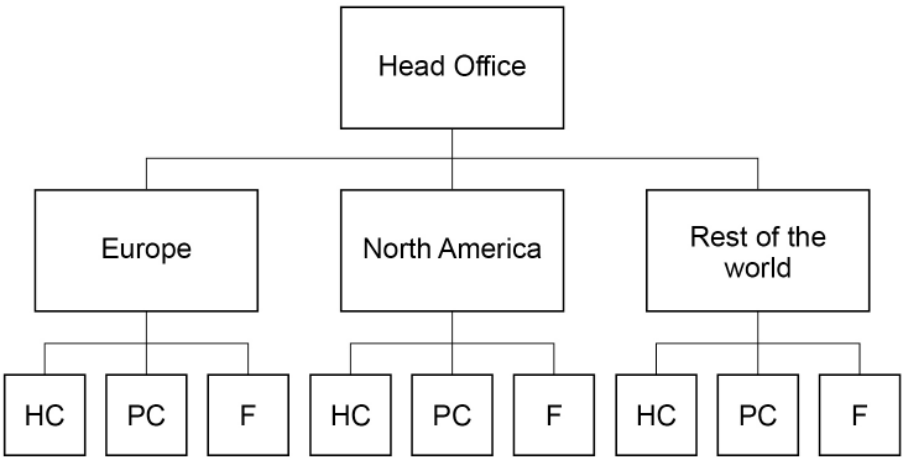
A socially responsible PLC

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.

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.

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.

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

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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 149).

< CASE STUDY

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0 6 To what extent does a commitment to Corporate Social Responsibility decrease profit for **all businesses**?

[24 marks]

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Extra space

20

Do not write outside the box

21

Do not write outside the box

Turn over ►

Do not write outside the box

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Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question(s) you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ≈ ⊘

2 3 To what extent do you think that UK businesses will experience a fall in profit if governments limit free trade by adopting more protectionist policies?

[25 marks]

OR

2 4 Are demographic factors now more significant than economic factors in influencing the performance of UK businesses? Justify your view.

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

Do not write outside the box

Do not write outside the box

0 8 The table below shows an extract from a business's annual budget.

Budget information for Company X for year ending 31 March 2018

	Budgeted (£m)	Actual (£m)
Income	125	114
Expenditure	98	85
Profit	27	29

Based on these data, which of the following statements is **true**?

A Income variance was adverse and profit variance was favourable. ⬭

B Income variance was favourable and profit variance was adverse. ⬭

C Expenditure variance was adverse and profit variance was adverse. ⬭

D Expenditure variance was adverse and profit variance was favourable. ⬭

[1 mark]

0 9 According to Porter's five forces, which **one** of these events is most likely to help a business's profitability?

A A decrease in supplier power. ⬭

B A new entrant into the market. ⬭

C An increase in buyer power. ⬭

D New product development by a competitor. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

1 4 Which one of the following methods of payment to employees would **not** be seen as a method of financial motivation by Taylor?

A Commission ⬭

B Performance-related pay ⬭

C Piece rate ⬭

D Salary ⬭

[1 mark]

1 5 A to D (below) apply to the market leader of a particular industry. Which **one** of these is **not** a barrier to entry for a business seeking to enter this industry?

The market leader

A is vertically integrated with its suppliers. ⬭

B experiences diseconomies of scale. ⬭

C has high brand loyalty. ⬭

D owns a patent. ⬭

[1 mark]

15

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Market research data on the UK Ready to Eat (RTE) breakfast cereals market

Appendix A Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

Appendix B Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

Appendix B cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

Appendix C Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

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Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix D Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix E Data on Kellogg's global sales and advertising spending

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Do not write outside the box

0 1 . 4 Analyse how the combined market share of the largest four manufacturers in the UK RTE breakfast cereal market might affect the threat of entry by other businesses into this market.

[9 marks]

Extra space

6

Do not write outside the box

9

Case study: KMH plc (A Level Paper 3, June 2017 insert)
The full case study for Q4 (16 marks), which follows on the next pages. Read it before answering.

Source 1

KMH plc

KMH plc is a multinational company with its headquarters in the UK. It designs, builds and maintains marine engines for ships and yachts. Revenue comes from two major sources. Around half its revenue comes from manufacturing and selling marine engines. The rest comes from providing support services for the engines, from regular checking and simple maintenance to more complex service arrangements. These services include KMH plc technicians monitoring engine performance minute by minute wherever it is in the world and making remote adjustments to the way an engine is operating.

Two market segments account for most of its engine sales – cruise ships and luxury yachts. KMH plc's market share for cruise ship engines is over 30%. Many of its customers (major cruise ship operators) have begun placing bigger orders as mergers and takeovers reduce the number of companies in this segment of the holiday industry (see **Appendix A**). Larger companies operating cruise ships can negotiate better deals from engine manufacturers, but KMH plc can also gain economies of scale as it works on larger orders, negotiating better deals with its own suppliers.

KMH plc is also market leader in the luxury yacht market – providing the engines and servicing for the vessels much loved by mega-rich company executives, notably from Russia and Middle Eastern oil-producing countries.

With key target markets for its marine engines consisting of cruise ship operators and buyers of luxury yachts, KMH plc's marketing mix is very different to many other large multinational businesses. These customers place relatively few orders for marine engines each year, but each purchase involves millions of pounds and complex negotiations. This requires KMH plc to have a specialised and highly skilled sales team with a detailed understanding of the technical benefits of its products and services.

Secrets of KMH plc's success

KMH plc puts a strong focus on Research and Development, allowing it to be a technological leader in its field, holding thousands of patents for innovative technologies developed in its research centres. KMH plc has invested heavily in training its staff and considers the excellence of its staff to be a fundamental source of competitive advantage. An apprenticeship academy was opened in Hull in 2012. Meanwhile, the company spent a total of £48.5m on training staff in 2016 to keep their skills up to date. Generous salaries alongside the excellent training make KMH plc one of Britain's favourite employers, shown by its low labour turnover. KMH plc aims to reap the rewards of its investment in people through ensuring that its maintenance services are world-class, whilst staff involved in Research and Development have the skills to develop market-leading new engines.

Much of KMH plc's success is down to the excellent fuel efficiency of its engines – a crucial selling point when oil prices are high. Its newest engine, the result of many years' Research and Development, is claimed to be 25% more efficient than those of its major rivals. In addition, KMH plc's maintenance and support contracts offer its customers peace of mind, aimed at preventing problems from occurring.

Turbulence for KMH plc

Despite its strengths, KMH plc was still vulnerable to changes in market conditions. 2015 and 2016 had been worrying times for KMH plc shareholders. In February 2015 the company was forced to issue a profit warning – advising the stock market that previous predictions of future profits might be inaccurate. Further warnings followed, each time downgrading expectations of future profits. **Appendix B** shows KMH plc's share price in 2015 and 2016. Financial data for the business can be found in **Appendix C**.

Journalists blamed KMH plc's poor financial performance in 2015 and 2016 on two major issues:

- worsening global economic conditions slowing revenue growth
- excessive costs.

Global economic growth rates have remained low and the incomes of consumers in many rich countries barely increased in real terms and are not forecast to rise for the next few years. This has had an impact on demand for cruise holidays. In addition, global oil prices have fallen. There are no clear signs that oil prices will rise again in the next couple of years.

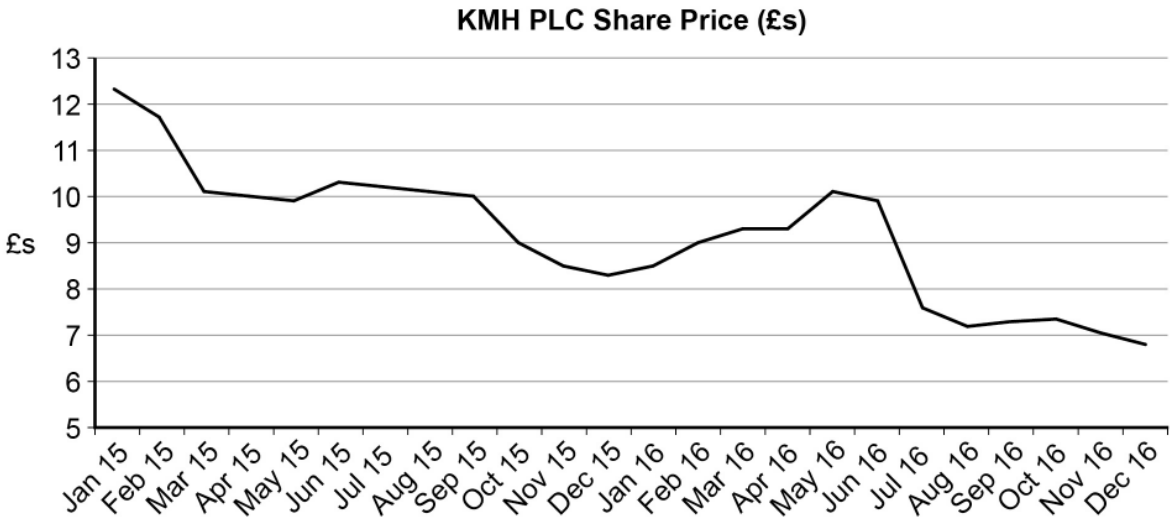
A new captain - a new strategy

In May 2016, KMH plc appointed Sir Rodney Short as its new Chief Executive. Sir Rodney was previously Chief Executive of ZQQZ plc – a British microchip manufacturer that he had turned into a world leader. Within weeks, Sir Rodney announced a major new strategy aimed at solving KMH plc's problems. One feature of the new strategy was an organisational restructuring. This was designed to reduce the size of the workforce. Most of the planned 140 job losses would be amongst senior managers (one in three senior managers would lose their jobs). Sir Rodney claimed that costs would be reduced by around £12m per year as a result after the costs of the restructuring. In addition, major investment (£50m) in new production machinery and a new factory is planned, aimed at reducing manufacturing costs and increasing total capacity. With such major changes planned, KMH plc's share price recovered slightly as the stock market gave Sir Rodney's strategy its approval, but there are plenty of details that need to be finalised, not least, how the changes are to be funded.

Appendix A

Top 5 Cruise Ship Holiday Providers - Market share (2016)	
CCL	48.1%
RCL	23.1%
NCL	10.4%
MSC Cruises	5.2%
Disney	2.8%
Others	10.4%

Appendix B



Appendix C

Table 1 Extracts from KMH plc balance sheets

	2015 (£m)	2016 (£m)
Non-current assets	5518.0	5104.0
Current assets	5594.0	6058.0
Current liabilities	(3842.5)	(4086.5)
Non-current liabilities	(4076.0)	(4567.5)
Net assets	3193.5	2508.0
Total equity	3193.5	2508.0

Table 2 Extracts from KMH plc income statements

	2014 (£m)	2015 (£m)	2016 (£m)
Revenue	7756.5	7441.7	6862.5
Gross profit	1658.4	1562.6	1399.8
Operating expenses	903.5	906.5	910.4
Operating profit	754.9	656.1	489.4

END OF SOURCE

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This question is based on the case study: KMH plc

A Level Paper 3, June 2017 insert. Printed in full on the pages just before this one (from page 168).

< CASE STUDY

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0 4 To analyse its competitive environment in the cruise ship engine market segment, KMH plc uses Porter's five forces model. Use the information provided to decide whether the power of buyers or the likelihood of new entrants is the bigger threat to KMH plc.

[16 marks]

Do not write outside the box

Extra space

16

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Banking on change

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

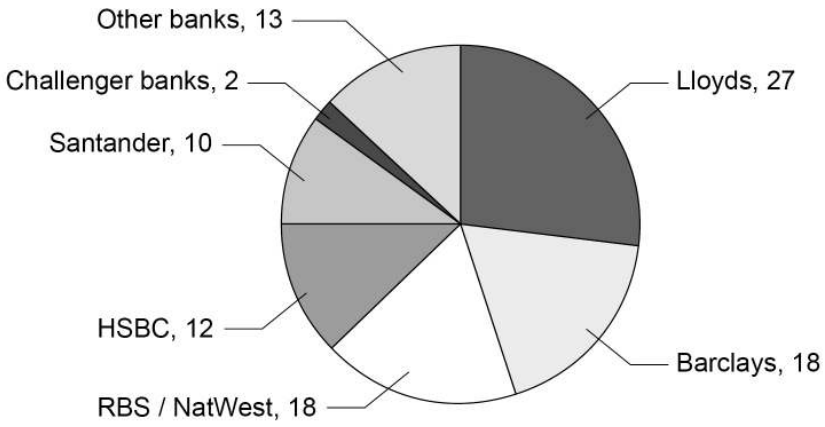
New technology and changes to government rules have opened the market to competition from relatively new entrants called 'challengers'. Challenger banks target a niche and aim to provide better customer service.

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

Appendix A Examples of types of challenger bank

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

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



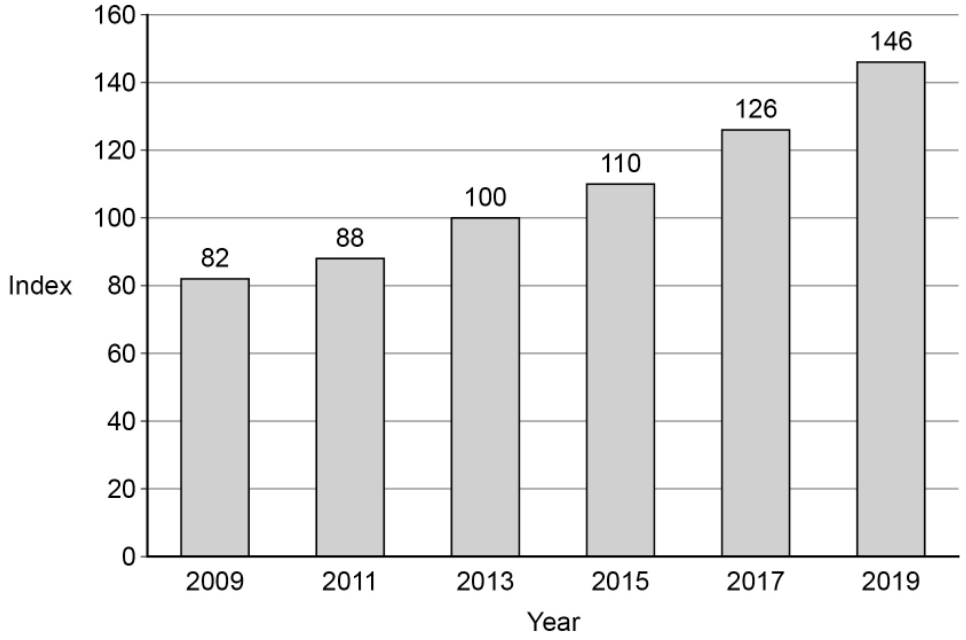
Note: The 'Big 5' banks are Lloyds, Barclays, RBS/NatWest, HSBC, Santander

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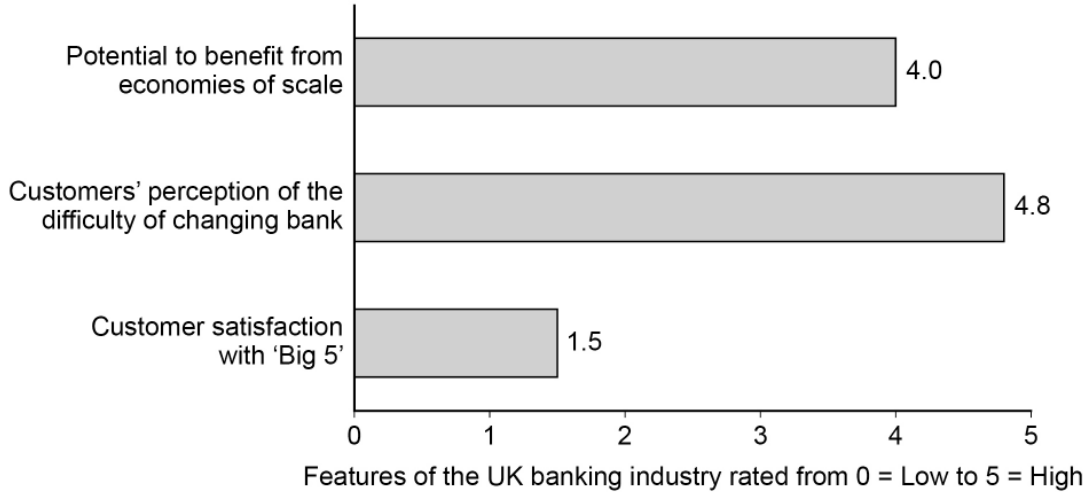
Appendix C Selected share price and market capitalisation information

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

Appendix D People using online banking (2009–2019)
(Index: base year 2013)



Appendix E Analysis of UK banking industry (2019)



Do not write outside the box

0 1 . 5 To what extent does the data show that new entrants are a significant threat to the 'Big 5' banks?

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⊙ ⊘ ✓

Either

2 3 Both supplier power and competitive rivalry have increased in recent years in a particular market. To what extent is it inevitable that this will lead to a decrease in the profits of all businesses in this market?

[25 marks]

or

2 4 In terms of Ansoff's matrix, is market penetration always a better strategic direction than diversification?

Justify your view.

[25 marks]

Do not write outside the box

0 5 Options A to D below show four different combinations of monetary and fiscal policy. Which combination is most likely to lead to an increase in sales for a company that builds houses? Assume there are no other changes.

A Decreasing interest rates and decreasing taxation ⬭

B Decreasing interest rates and increasing taxation ⬭

C Increasing interest rates and decreasing taxation ⬭

D Increasing interest rates and increasing taxation ⬭

[1 mark]

0 6 A business helps its local community with a view to improving the quality of life of nearby residents. In Carroll's pyramid of corporate social responsibility, this is most likely to be an example of

A economic responsibility. ⬭

B ethical responsibility. ⬭

C legal responsibility. ⬭

D philanthropic responsibility. ⬭

[1 mark]

0 7 An approach to examine the impact of possible changes on the predicted financial outcome of an investment is known as

A investment criteria. ⬭

B non-financial factors. ⬭

C sensitivity analysis. ⬭

D the discount rate. ⬭

[1 mark]

Do not write outside the box

0 8 Starbucks is an American coffee shop. In recent years it has opened over 300 tea shops in America to appeal to its existing customers. According to Ansoff's matrix this is an example of

A diversification. ⬭

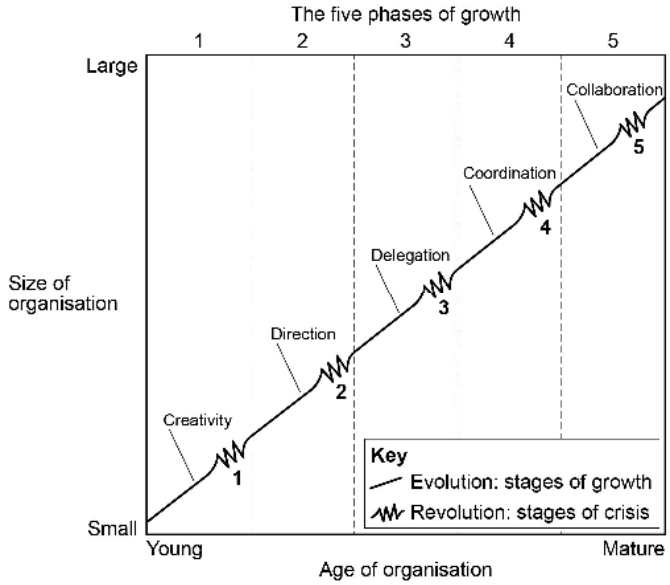
B market development. ⬭

C market penetration. ⬭

D product development. ⬭

[1 mark]

0 9 Which type of crisis is most likely to occur at point 3 of Greiner's model of growth shown below?



A Leadership crisis ⬭

B Autonomy crisis ⬭

C Red tape crisis ⬭

D Control crisis ⬭

[1 mark]

Do not write outside the box

0 8 Which one of the following perspectives is **not** used by Kaplan and Norton's balanced scorecard?

[1 mark]

A Customer ⬭

B External businesses ⬭

C Financial ⬭

D Learning and growth ⬭

0 9 The table below shows the net annual return of an investment.

Year	Net return (£000s)
0	(1000)
1	500
2	900

After two years, the ARR (%) for this investment is

[1 mark]

A 90% ⬭

B 70% ⬭

C 40% ⬭

D 20% ⬭

Do not write outside the box

1 2 **Table 2** below shows investment appraisal data for four projects.

Table 2 Investment appraisal data

Project	Initial cost (£m)	Net return (£m)		
	Year 0	Year 1	Year 2	Year 3
A	(12)	12	10	0
B	(15)	10	12	15
C	(16)	18	0	0
D	(20)	19	15	4

Which project has the best payback?

[1 mark]

A Project A ⬭

B Project B ⬭

C Project C ⬭

D Project D ⬭

1 3 The leadership crisis occurs at the end of which of Greiner's stages of growth?

[1 mark]

A Growth through collaboration ⬭

B Growth through creativity ⬭

C Growth through delegation ⬭

D Growth through direction ⬭

Do not write outside the box

Section B

Answer **all** questions in this section.

The data in **Figure 4** shows the expected financial outcomes of an investment into new equipment.

Figure 4

Year	Annual inflows (£000)	Annual outflows (£000)	Net return (£000)	Discount factor (5%)
0	0	50	(50)	1.00
1	30	17	13	0.95
2	40	12	28	0.91
3	40	13	27	0.86

1 6 Based on the data in **Figure 4**, calculate the payback of the investment.

[3 marks]

Payback _____

Workings _____

_____

_____

_____

_____

3

Do not write outside the box

1 7 Based on the data in **Figure 4**, calculate the Net Present Value of the investment.

[4 marks]

Net Present Value _____

Workings _____

4

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

[4 marks]

Extra space _____

4

Do not write outside the box

Section B

Answer **all** questions in this section.

The data in **Figure 4** shows the expected financial outcomes of an investment into new equipment.

Figure 4

Year	Annual inflows (£000)	Annual outflows (£000)	Net return (£000)	Discount factor (5%)
0	0	50	(50)	1.00
1	30	17	13	0.95
2	40	12	28	0.91
3	40	13	27	0.86

1 6 Based on the data in **Figure 4**, calculate the payback of the investment.

[3 marks]

Payback _____

Workings _____

3

Do not write outside the box

1 7 Based on the data in **Figure 4**, calculate the Net Present Value of the investment.

[4 marks]

Net Present Value _____

Workings _____

4

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

[4 marks]

Extra space _____

4

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Drake Hotels PLC owns 20 budget hotels in the UK. Each one is located in a different city. The industry is very competitive and Drake's managers all have an objective to help the business to be as efficient as possible.

Drake Hotels PLC's operating profit for the financial year 2019–20 was £18 million. Last month the company appointed a new Chief Executive, Mary Myers, to increase the profitability of the business. Mary was previously the Marketing Manager of an upmarket hotel chain.

Mary is already considering an investment proposal for a luxury hotel in Oxford. This hotel would target overseas visitors who might want to visit the city. Drake Hotels has found a suitable building but needs to invest to develop it.

Appendix A Investment appraisal results for the proposed investment into a new hotel in Oxford (based on net inflows for first eight years).

Average rate of return	12% per year
Net Present Value	£25 million

Source: Chief Executive

Appendix B Sensitivity analysis for the new Oxford hotel investment proposal

Two possible changes in the economy that might affect the investment appraisal results in Appendix A	**Estimated probability of this change happening**
The value of the pound against other currencies is 10% higher than originally forecasted.	20%
The average GDP growth in overseas countries is 1.5% higher than originally forecasted.	30%

Source: Chief Executive

Appendix C Selected financial data for Drake Hotels PLC

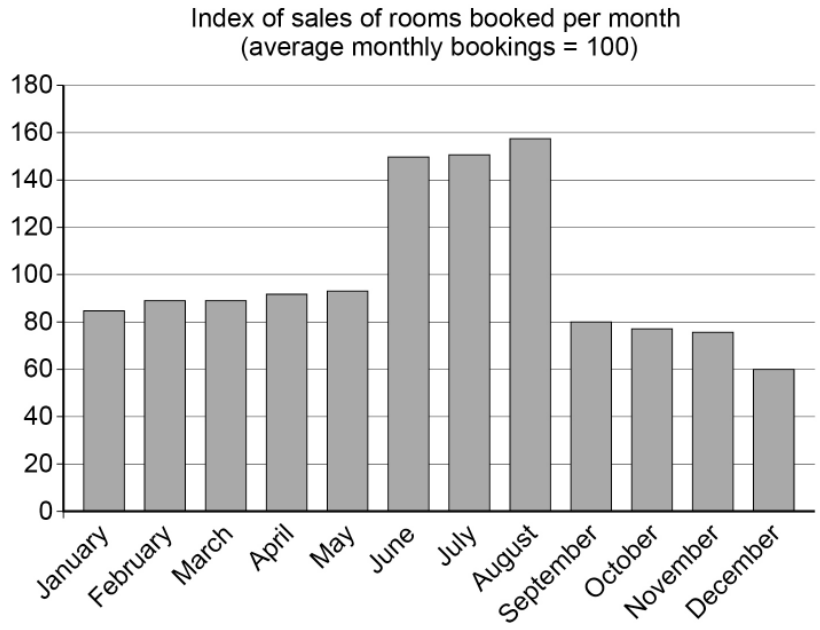
	£ million as at 1 May 2020
Current assets	15
Current liabilities	18
Total equity	170
Non-current liabilities	280

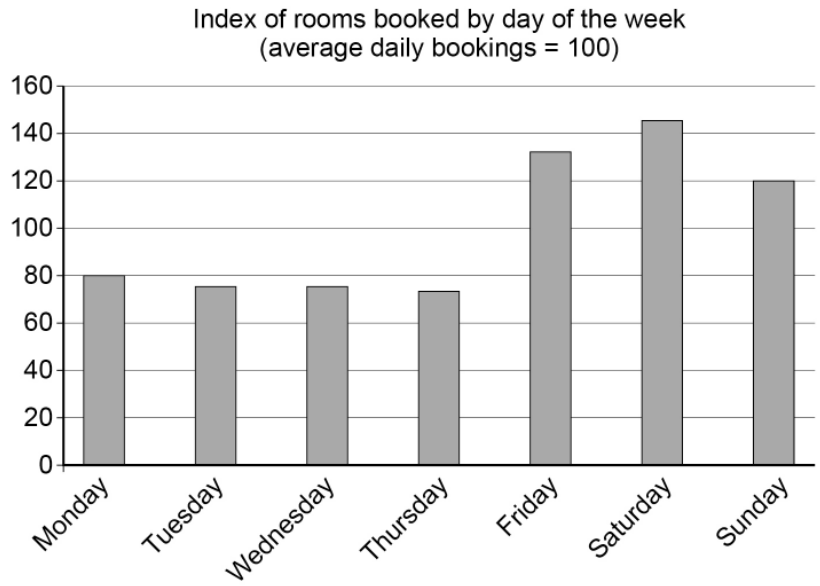
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Appendix D Forecasted data for Drake Hotels PLC's new Oxford hotel investment proposal

Initial investment required	£20 million
Estimated income elasticity of demand	+2
Percentage of customers visiting from overseas	70%
Estimated cost of borrowing for this investment	8% per annum

Appendix E Room bookings by month and day of the week in Drake Hotels PLC's budget hotels 2019





Turn over ►

Do not write outside the box

0 1 . 1 Using the data in **Appendix C**, calculate the following ratios for Drake Hotels PLC in 2020.

[6 marks]

Current ratio _____

Gearing ratio _____

6

0 1 . 2 Use **Appendix B** to explain **one** reason why Drake Hotels PLC has used sensitivity analysis for the investment proposal.

[4 marks]

4

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

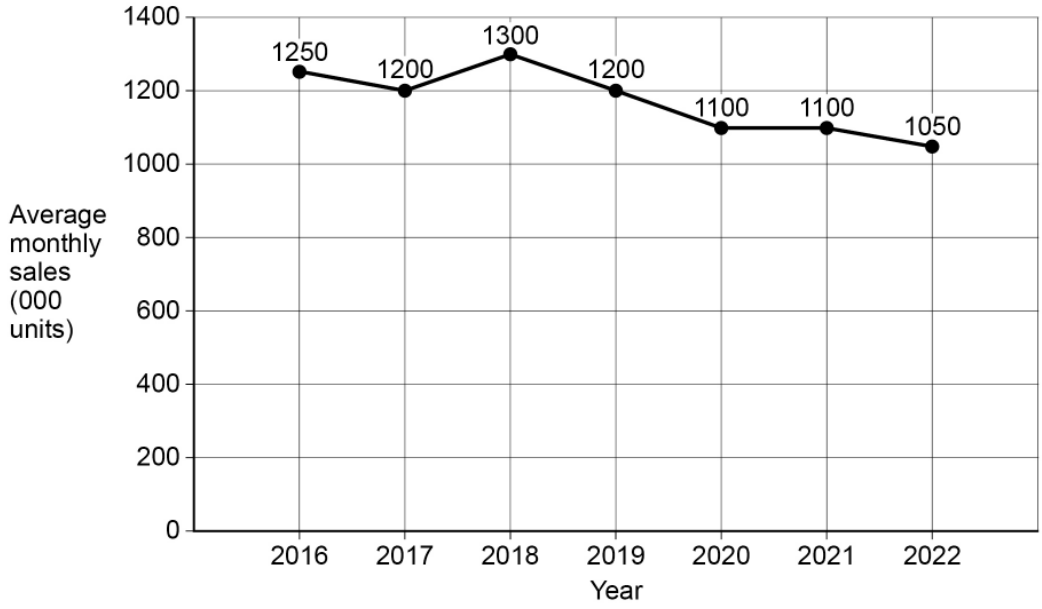
AJS plc

AJS plc is a manufacturer of non-recyclable packaging. This packaging is widely used by takeaway food outlets. AJS plc plans to invest £500 000 in new technology to increase capacity and make its factory more capital intensive.

Appendix A Data on proposed investment (produced by AJS plc's operations manager)

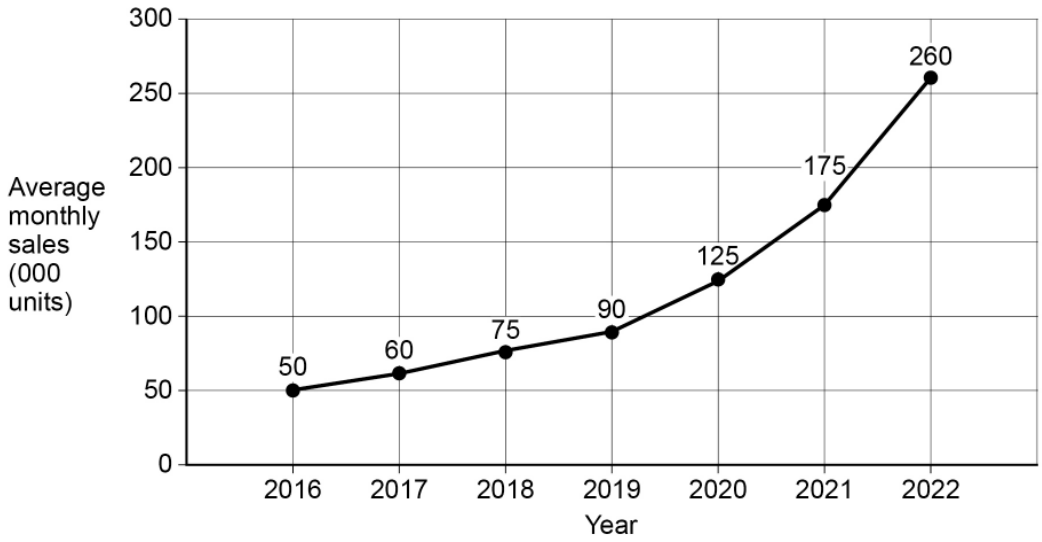
Year	Annual net cash flow £000s	Discount factor (10%)
0	(500)	1.00
1	(50)	0.91
2	250	0.83
3	600	0.75

Appendix B UK market for non-recyclable takeaway food packaging



Do not write outside the box

Appendix C UK market for recyclable takeaway food packaging



Appendix D Selected Human Resource data 2022

	AJS plc	Industry average
Average salary	£22 000	£26 000
Salary costs as a percentage of turnover (%)	40	35
Labour turnover (%)	15	4
Working days lost through industrial action	25	5
Average number of applicants for vacancies	14	55

Appendix E Selected Financial data for AJS plc

	2022
Current assets	£550 000
Current liabilities	£270 000
Non-current liabilities	£4m
Operating profit	£3m
Gearing	22%
Change in the share price of AJS plc over the year	–15%
Change in the share price of the top 100 UK companies over the year	+8%

Do not write outside the box

0 1 . 1 Calculate the Net Present Value for AJS plc's proposed investment.

[4 marks]

4

0 1 . 2 Using **Appendix E**, calculate the Return on Capital Employed for AJS plc in 2022.

[4 marks]

4

Do not write outside the box

1 7 A company invests £20 million into a new project in Year 0.

In the next two years the predicted net returns of the project, along with the discount factors, are shown in the table below:

Year	Net return (£m)	Discount factor
1	11	0.91
2	12	0.83

Based on the information provided, calculate the expected net present value (NPV) for the new project.

Show your working.

[4 marks]

Answer _____

Working _____

4

Case study: DWS Ltd (A Level Paper 3, June 2019 insert)
The full case study for Q4 (16 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.

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.

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.

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.

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.

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

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**.

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.

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.

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

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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 193).

< CASE STUDY

Do not write outside the box

0 4 DWS Ltd is considering investing in solar panels.

Using **Appendix D** calculate the payback period and the Average Rate of Return of this investment.

Based on your results and **other information**, recommend whether DWS Ltd should make this investment. Justify your decision.

[16 marks]

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Extra space

Do not write outside the box

16

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

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Drake Hotels PLC owns 20 budget hotels in the UK. Each one is located in a different city. The industry is very competitive and Drake's managers all have an objective to help the business to be as efficient as possible.

Drake Hotels PLC's operating profit for the financial year 2019–20 was £18 million. Last month the company appointed a new Chief Executive, Mary Myers, to increase the profitability of the business. Mary was previously the Marketing Manager of an upmarket hotel chain.

Mary is already considering an investment proposal for a luxury hotel in Oxford. This hotel would target overseas visitors who might want to visit the city. Drake Hotels has found a suitable building but needs to invest to develop it.

Appendix A Investment appraisal results for the proposed investment into a new hotel in Oxford (based on net inflows for first eight years).

Average rate of return	12% per year
Net Present Value	£25 million

Source: Chief Executive

Appendix B Sensitivity analysis for the new Oxford hotel investment proposal

Two possible changes in the economy that might affect the investment appraisal results in Appendix A	**Estimated probability of this change happening**
The value of the pound against other currencies is 10% higher than originally forecasted.	20%
The average GDP growth in overseas countries is 1.5% higher than originally forecasted.	30%

Source: Chief Executive

Appendix C Selected financial data for Drake Hotels PLC

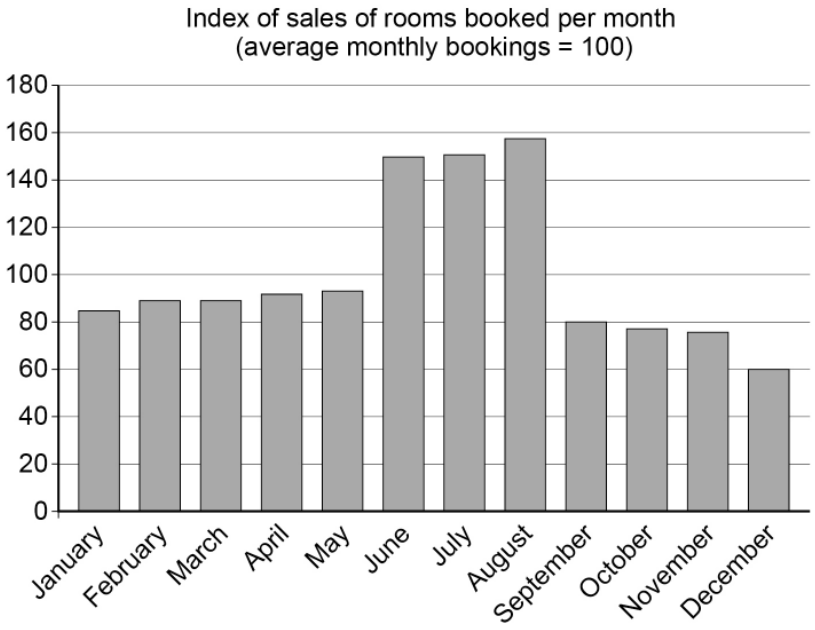
	£ million as at 1 May 2020
Current assets	15
Current liabilities	18
Total equity	170
Non-current liabilities	280

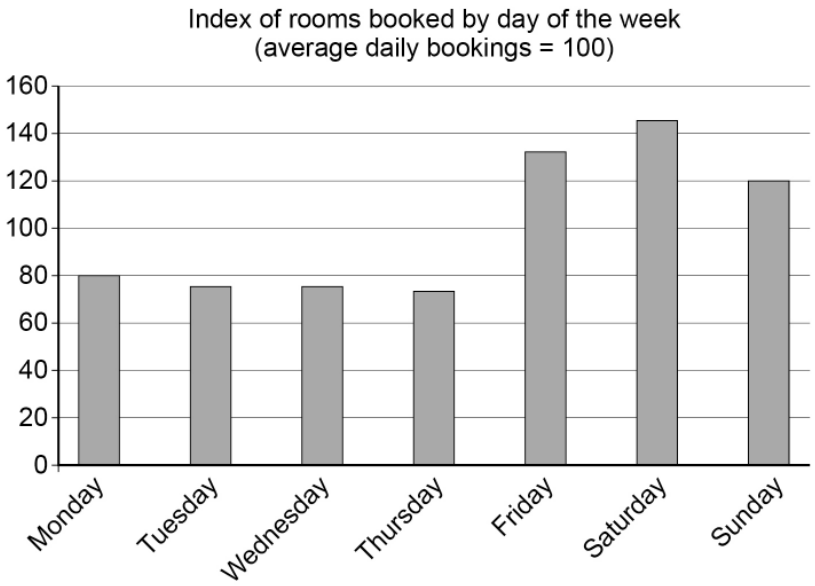
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Appendix D Forecasted data for Drake Hotels PLC's new Oxford hotel investment proposal

Initial investment required	£20 million
Estimated income elasticity of demand	+2
Percentage of customers visiting from overseas	70%
Estimated cost of borrowing for this investment	8% per annum

Appendix E Room bookings by month and day of the week in Drake Hotels PLC's budget hotels 2019





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0 1 . 4 Using the data, recommend whether Drake Hotels PLC should go ahead with the proposed investment. Justify your answer.

[16 marks]

Do not write outside the box

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16

Case study: AM plc (Aerial Manufacturing plc) (A Level Paper 3, November 2021 insert)
The full case study for Q5 (20 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.

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
- 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.

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.

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.

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.

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.

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.

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.

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 203).

< CASE STUDY

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0 5 Should AM plc invest in building its new factory at Site A **or** Site B?

Use quantitative and qualitative information to justify your view.

[20 marks]

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20

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: D

Statement 1 is false. Statement 2 is false.

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

Question 11 · 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

Question 05 · Section A objective test question

Correct answer: C

an increase in the number of patents held by a business is a strength.

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

Question 15 · Section A objective test question

Correct answer: B

Corporate objectives strategies tactics

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

0 4	To what extent is Sanjay's use of SWOT analysis likely to help his strategic planning? Use information from **Appendix C** and the other information provided to justify 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**

The demands of this question are:
- use information from **Appendix C** and other information to analyse the usefulness of SWOT analysis
- make a judgement on the extent that Sanjay's SWOT will help strategic planning.

Indicative content:
- forces him to assess the external environment, plus encourages internal analysis
- may help identify and plan to overcome specific weaknesses or threats, such as how to execute a growth plan when the business is reliant on Sanjay's hands-on approach
- allows a strategy to be devised appropriate to his strategic position (eg building on strengths or capitalising on opportunities)

BUT

- Sanjay's own SWOT may lack objectivity – what he believes are strengths may not represent genuine sources of competitive advantage
- Sanjay's analysis has done little to address the threat of ongoing health concerns and income elasticity – illustrating that SWOT does not necessarily offer solutions.
- SWOT analysis done well could be useful, done poorly, may lack merit. Sanjay may have rushed his SWOT due to being busy.

Accept other relevant arguments.

Evaluation
An effective judgement should flow from the arguments presented. Judgement will come through the assessment of the usefulness of Sanjay's SWOT in the process of strategic planning. Issues to consider may include:
- the extent to which Sanjay has used his SWOT in devising future strategy
- the quality of decisions made using the SWOT analysis
- accuracy of information used when preparing the SWOT analysis.

0	6	DWS Ltd is considering making a major strategic change. To what extent is a SWOT analysis valuable for any business deciding on its future strategy? **[24 marks]**

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

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.	**21 – 24**
4	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16 – 20**
3	**A reasonable response overall that focuses on some 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.	**11 – 15**

2	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that : • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6 – 10**
1	**A weak response overall lacking focus on the demands of the question** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1 – 5**

The demands this question are:
- judgement on value of SWOT analysis
- in deciding on future strategy
- for any business.

Indicative content:
Beneficial because:
- allows identification of strengths around which strategy can be built
- allows identification of weaknesses around whose elimination strategy can be built
- allows identification of weaknesses allowing a strategy to be developed which sidesteps these issues
- spots opportunities which can allow direction to be planned
- spots threats allowing a strategy to be devised which avoids them or reduces their potential impact.

Weaknesses include:
- depends on how data is interpreted and who is doing the interpretation
- does not make decisions
- does not actually do any planning.

Evaluative themes:
- may suggest other techniques are more helpful in deciding on future strategy (Ansoff's matrix, Porter's strategic grid, Bowman's clock), whilst other frameworks for assessing strategic position (Porter's 5 forces model or PESTLE) may bring greater depth of insight
- SWOT will help, but will not do the strategic planning for you.

Further guidance
Approaches are likely to be:
Excellent: two-sided response, well-developed arguments with balanced conclusion, addressing relevance to all businesses, clear focus on deciding future strategy.
Good: two-sided, well-developed arguments with balanced conclusion, could just be DWS Ltd, how it helps deciding future strategy.
Reasonable: two arguments, but may focus on 'is it useful in general', rather than use in deciding future strategy, and lacking balance in overall judgement.
Limited: one side with little development.
Weak: relevant points made on strengths/weaknesses of SWOT analysis.

Further guidance on changes found in Appendices A, B and C

Appendix A			
	2003	2008	
DWS LTO	10.00%	8%	Lower than Industry Average
	33.33%	20%	Of the Industry Average
Emp. Costs as % T/O	12%	15%	Higher that industry Average
	2003-2008		
DWS % Decline in LTO	60%		
Ind. Av. Decline in LTO	33.33%		
DWS Emp. Costs	8.3%	Increase	
Ind. Av. Costs	4.10%	Increase	

Appendix B	2008	2013	
DWA Faults/1000 units	58.33	81.25%	Lower than Ind. Av.
	2008 -2013		
DWS Reduction in Faults	70%	Lower	
Ind. Ave Reduction in Faults	33.33%	Lower	
Cost of 1 tonne sheets £	2008	2013	
DWS	10%	28.57%	Higher than Ind Av
	2008-2013		
DWS	22.72%	Higher	
Ind. Av	5%	Higher	
Av. Value Fin. Goods Inv.	2008	2003	
DWS	20%	96.66%	Lower than Ind Av
	2008-2013		
DWS	97.40%	Lower	
Ind. Av.	40%	Lower	

Appendix C			
Revenue	2008-2013		
	11.11%	Higher	
Revenue	2013-2018		
	17.50%	Lower	
Revenue	2008-2018		
	8.33%	Lower	
Customer Orders	2008-2013		
	16.67%	Lower	
	2013-2018		
	25.00%	Lower	
	2008-2018		
	37.50%	Lower	
Profit £m	2008-2013		
	33.33%	Lower	
	2013-2018		
	90%	Lower	
	2008-2018		
	93.33%	Lower	
Profit Margins	2008	2013	2018
	8.33%	5%	0.61%
Reduction in Profit Margin	2008-2013	2013-2018	2008 - 2018
percentage points	3.33%	4.39%	7.72%

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 07 · Section A objective test question

Correct answer: D

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

Question 08 · Section A objective test question

Correct answer: A

Company A

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

Question 13 · Section A objective test question

Correct answer: C

a low current ratio and a high gearing.

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

0 1 . 1 *Explain, with an example, what is meant by non-current assets.*

[2 marks]

Level	The candidate will typically:	Marks
2	clear understanding of non-current assets including example	2
1	some understanding of non-current assets, eg no example or just an example.	1

Possible responses:

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

Credit other valid lines of explanation or examples.

0 1 . 2 *Explain **one** possible reason why the share price of Marks and Spencer plc fell between mid-2015 and the end of 2017.*

[3 marks]

Level	The candidate will typically:	Marks
3	well explained in context of Marks and Spencer's falling share price	3
2	some explanation of link between relevant factor and share price movement	2
1	identifies possible reason for share price fall.	1

Answers may include:

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

Credit other valid lines of argument.

Section B

1	**6**	Calculate the inventory turnover of Magpie plc. **[2 marks]**

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

Answer = 6.25 (2 marks)

$$\text{Inventory turnover} = \frac{\text{Cost of sales}}{\text{Average inventories held}}$$

$\frac{50}{8} = 6.25$ or 6.25 times

(1 mark for correct numerator OR denominator) + (1 mark for correct answer) **(2 marks)**

Marker's Notes

If calculated in days the correct answer is $\frac{365}{6.25} = 58.4$ days (58 days) **(2 marks)**

NB Award 2 marks for 58 or 58.4, with no reference to days.

Do not award 2 marks if the correct measure is not used. For example, answers such as 6.25% or £6.25m are not correct, but should be awarded 1 mark. Similarly, award 1 mark for incorrect mumers based on the digits 6-2-5, such as 62.5 or 625.

Award 1 mark for correct formula IF no valid calculation marks awarded.

1	**7**	Calculate the payables days for Magpie plc. **[3 marks]**

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

Answer = 87.6 days or 88 days (3 marks)

Broken down as follows:

$$\text{Payables days} = \frac{\text{Payables}}{\text{Cost of sales}} \times 365$$

$\frac{12 \textbf{ (1 mark)}}{50 \textbf{ (1 mark)}} \times 365 = 87.6$ days **or** 88 days **(1 mark)**

OFR applies, but ONLY if EITHER the numerator OR denominator is correct.

Award 1 mark for correct formula IF no valid calculation marks awarded.

Section B

1	6	Calculate the inventory turnover of Magpie plc. **[2 marks]**

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

Answer = 6.25 (2 marks)

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$\frac{50}{8} = 6.25$ or 6.25 times

(1 mark for correct numerator OR denominator) + (1 mark for correct answer) **(2 marks)**

Marker's Notes

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NB Award 2 marks for 58 or 58.4, with no reference to days.

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Award 1 mark for correct formula IF no valid calculation marks awarded.

1	7	Calculate the payables days for Magpie plc. **[3 marks]**

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

Answer = 87.6 days or 88 days (3 marks)

Broken down as follows:

$$\text{Payables days} = \frac{\text{Payables}}{\text{Cost of sales}} \times 365$$

$\frac{12\ \textbf{(1 mark)}}{50\ \textbf{(1 mark)}} \times 365 = 87.6$ days **or** 88 days **(1 mark)**

OFR applies, but ONLY if EITHER the numerator OR denominator is correct.

Award 1 mark for correct formula IF no valid calculation marks awarded.

1	8	Calculate the current ratio for Magpie plc. **[3 marks]**

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

Answer = 1.32 : 1 or 1.3 : 1 or 1.32 or 1.3 (3 marks)

Current ratio = Current assets : Current liabilities

8 + 17 : 12 + 7 = 25 **(1 mark)** : 19 **(1 mark)** = 1.32 **or** 1.3 (Accept 1.31) **(1 mark)**

OFR applies, but ONLY if EITHER the numerator OR denominator is correct.

Award 1 mark for correct formula IF no valid calculation marks awarded.

1	7	A business has non-current liabilities of £200 000 and a gearing ratio of 40%. It then takes out a long-term loan of £100 000 from the bank. Calculate its new gearing ratio after taking out this bank loan. **[4 marks]**

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

Answer = 50% **(4 marks)**
50 (but no percentage) **(3 marks)**
:
Formula Gearing ratio = Non-Current liabilities/Capital employed x 100
Or

$$\frac{\text{Non Current Liabilities(NCL)}}{\text{NCL} + \text{Equity}} \times 100$$

Or

$$\frac{\text{Long Term Liabities(LTL)}}{\text{Capital Employed}} \times 100$$

Marks broken down as follows

Original gearing: 40% = £200 000/'X'

Therefore, original capital employed 'X' = £200 000/0.4 = £500 000 **(1 mark)**

Loan adds £100 000 to long-term liabilities AND capital employed

New gearing ratio = £300 000 **(1 mark)**/£600 000 ** **(1 mark)** x 100 = 50% **(1 mark)**

** Apply OFR, if applicable

Award 3 marks for: £300 000/£500 000 x 100 = 60%
Award 3 marks for £200 000/£600 000 X 100 = 33.3%

Use OFR if appropriate

Awards 2 marks if original gearing is calculated but new gearing is not calculated

$$\frac{£200{,}000}{£500{,}000} \times 100 = 40\% \ \ (1 \text{ Mark})$$

1 Mark

*** *Award **1 mark** for correct formula if **no** calculation marks earned.*

1 7 **Table 1** Extracts from financial records of Wot plc

	£m
Non-current assets	38
Current assets	31
Current liabilities	(18)
Non-current liabilities	(24)

Wot plc receives £20 million from selling ordinary shares.

The company uses this money as follows:

- £15 million to purchase machinery
- £3 million to pay off its overdraft
- £2 million to increase inventory levels.

Calculate Wot plc's current ratio **after** these changes.

Show your working.

[4 marks]

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

Answer = 2.2: 1 OR 2.2 **(4 marks)**

Broken down as follows:

Current assets = 33 **(1 mark)**
Current liabilities = 15 **(1 mark)**

Current ratio = = 33 : 15 OR 33/15 **(1 mark)**
(Use OFR only **if either** CA **or** CL figure is correct)

Answer = 2.2 : 1 OR 2.2 **(1 mark)**
NB Do **not award the** final mark if the unit of measurement is incorrect (eg. 2.2% or £2.2m)

If no creditworthy calculation, award 1 mark for correct formula:
Current assets : Current liabilities (1 mark)
$\left(\text{OR } \frac{\text{Current assets}}{\text{Current liabilites}}\right)$ (1 mark)

0 1 . 2	Using **Appendix E**, calculate the Return on Capital Employed for AJS plc in 2022. **[4 marks]**

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

Workings

Gearing is 22%
Non-current liabilities £4m
Operating profit £3m

$$\text{Gearing} = 100 \times \left(\frac{\text{Non-current liabilities}}{\text{Capital employed}}\right)$$

$$22\% = 100 \times \left(\frac{£4m}{\text{Capital employed}}\right)$$

$$\text{Capital employed} = \frac{(100 \times 4m)}{22}$$

$$\text{Capital employed} = \frac{400m}{22}$$

Capital employed = £18.182m

$$\text{Return on capital employed} = 100 \times \left(\frac{\text{Operating profit}}{\text{Capital employed}}\right)$$

$$\text{Return on capital employed} = 100 \times \left(\frac{£3m}{£18.182}\right)$$

Return on capital employed = 16.5%

4 marks for correct answer **16.5%**
3 marks for calculation with one error apply OFR as appropriate
2 marks for partial calculation showing some understanding, eg of ROCE or Gearing
1 mark for correct definition of ROCE with no valid calculation

0 1 . 1	Using **Appendix A**, calculate Biggs Ltd's payables days ratio for 2023. **[4 marks]**

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

Payables (days) ratio = $\frac{\text{payables}}{\text{cost of sales}} \times 365$

Payables days = 73 days (4 marks)

1 mark for correct selection of payables £5 056 000

1 mark for calculation of cost of sales £25 280 000 (£47 569 000 – £22 289 000)

1 mark for $\frac{£5\,056\,000}{£25\,280\,000} \times 365$

1 mark for Payables days = 73

OFR applies so students calculating cost of sales incorrectly can receive 3 marks if there are no further errors.

1 mark for Payables days formula if no valid calculation.

Section B

1 6 Questions **16** and **17** are based on the data below.

Extract from accounts of Righton plc, 2024

	£m	£m
Non-current assets		335
Inventories	80	
Receivables	35	
Cash	40	
Payables	70	
Net current assets		85
Non-current liabilities		230
Total equity		190

Calculate the current ratio for Righton plc for 2024.

Show your working.

[4 marks]

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

Answer = 2.2:1 OR 2.2 (4 marks)

(Also accept **2.21 OR 2.214**)

Broken down as follows:

current assets = 80 + 35 + 40 = 155

current liabilities = 70

^ current ratio = current assets : current liabilities

155 : 70 = 2.2 : 1 OR 2.2

Award 2 marks for correct calculation of current assets (155)
(Award 1 mark if two current assets are recognised and used)

Possible values worth 1 mark for CA calculation are 115 (80 + 35) OR 120 (80 + 40)
OR 75 (35 + 40)

Award 1 mark (3rd mark) for dividing the numerator by payables figure (70)

Award 1 mark (4th mark) for correct division of $\frac{155}{70} = 2.2$

NB. OFR applies if method is valid but arithmetic error occurs.
^ If no creditworthy calculation, **award up to 1 mark** for correct formula for current ratio.

Marker's note: Do not credit the figure "155" if it is not shown as a current assets total OR not used in an equation.
If used in an equation credit it with 2 marks.

1	**7**	Righton plc achieved a Return on Capital Employed (ROCE%) of 12% in 2024. Calculate its operating profit. Show your working. **[4 marks]**

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

Answer = £50.4 million (4 marks). **(**Also accept 50.4million OR £50.4 OR 50.4 for **4 marks**)

^ ROCE (%) $= \frac{\text{operating profit}}{\text{capital employed}} \times 100$

$12\% = \frac{\text{operating profit}}{420}$

Award 2 marks for correct calculation of Capital employed (**420**)
(Award 1 mark if one of the two elements of capital employed is recognised (ie 230 OR 190)
Also accept a correct figure if non-current assets + net current assets is used to calculate capital employed (ie 335 OR 85)

Award 1 mark (3rd mark) for multiplying ROCE (%) (12%) by the capital employed figure (420)

Award 1 mark (4th mark) for 12% × 420 = 50.4.

NB OFR applies if method is valid but arithmetic error occurs.
^ If no creditworthy calculation, **award up to 1 mark** for correct formula for ROCE (%).

0 1 . 2	Explain **one** possible reason for the change in inventory turnover shown in **Appendix B**. **[4 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** • Explains one reason for the change in SCF's rate of inventory turnover.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Identifies one valid reason why a business' rate of inventory turnover may fall.	2–3
1	**A limited response overall that focuses on a few demands of the question.** • Shows some understanding of the rate of inventory turnover.	1

The demands of the question are:
- identify the nature of the change in the rate of inventory turnover
- identify a potential reason
- in the context of SCF
- explain how that reason caused the deterioration in inventory turnover.

Indicative content:
- inventory is being turned over fewer times in 2024 compared to 2022 (5.2 compared to 5.9 times/year).

Possible reasons could include:
- falling efficiency may involve poor control of inventor
- bulk buying stock so takes longer to turnover
- need to carry wider range of goods or raw materials to meet demands of larger buyers.

0 1 . 1	Using the data in **Appendix C**, calculate the following ratios for Drake Hotels PLC in 2020. **[6 marks]**

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

Current ratio
0.83:1 or 0.83 (**3 marks**)

3 marks for correct answer
1 mark for correct selection of current asset £15m
1 mark for correct selection of current liabilities £18m

Formula alone = **1 mark**

Gearing
62.22% (**3 marks**)

3 marks for correct answer

1 mark for correct selection of non-current liabilities £280m
1 mark for correct calculation of capital employed £450m

Formula alone = **1 mark**

OFR applies.

0 2 . 2	Analyse **one** way the balance sheet of a business (its statement of financial position) might be affected if more of its employees work from home. **[6 marks]**

Marks for this question: AO1 = 2, AO2 = 2, 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.	**5–6**
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 demands of the question are:
- to demonstrate an understanding of the content of the balance sheet
- to analyse a potential change to a balance sheet for a business adopting more homeworking.

Indicative content:
- some businesses have reduced the amount of office space owned – reducing non-current assets (if owned)
- if funded through debt, eg a mortgage, the reduction of office space owned will reduce non-current liabilities
- if sold there may be a one-off injection of funds – increasing current assets
- if previously rented there may now be a reduction in current liabilities at any given time
- heating lighting etc will be lower, possibly reducing current liabilities at any given time
- some businesses may face the need to invest in more assets, eg extra IT to facilitate homeworking. Possibly increasing non-current (fixed) assets if owned or current liabilities if leased or thus reducing current assets (cash) or increasing long-term liabilities if loans are used. This is a valid argument though not directly mentioned in case.

Allow other relevant arguments.

0 1 . 3 *Calculate the following ratios for Marks and Spencer plc for the financial year ending 1 April 2017 to two decimal places.*

[9 marks]

i. The return on capital employed (3 marks)

Level	The candidate will typically:	Marks
3	correct answer to two decimal places with %	3
2	calculation error but right numbers and formula selected; no %	2
1	knows the equation	1

Possible responses:
Return on capital employed = (operating profit/capital employed)*100

= [691/(2774 + 3150)] *100=11.66%

where capital employed = total equity plus non current liabilities

ii The gearing ratio (3 marks)

Level	The candidate will typically:	Marks
3	correct answer to two decimal places with %	3
2	calculation error but right numbers and formula selected; no %	2
1	knows the equation	1

Possible responses:
*Gearing ratio = (non-current liabilities/capital employed)*100*
*=(non-current liabilities/[total equity+ non current liabilities])*100*

*= [2774/(2774 +3150]*100= 46.83%*

iii The current ratio (3 marks)

Level	The candidate will typically:	Marks
3	correct answer to two decimal places	3
2	calculation error but right numbers and formula selected	2
1	knows the equation	1

Possible responses:

Current ratio = current assets/current liabilities =

$$\frac{\text{Current assets}}{\text{Current liabilities}} \qquad \frac{1723 \text{ million}}{2368 \text{ million}}$$

= 0.73 (or 0.73:1)

1	9	Analyse the implications of these changes for Wilson PLC's cash levels. **[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 this question are on:
- analysing how the data in the table might improve or worsen Wilson PLC's cash levels.

Indicative content:
- analysing that an increase in payables days will lead to slower payments to suppliers and thus will increase cash levels
- analysing that an increase in receivables days will lead to slower receipts of cash from customers and thus will decrease cash levels
- recognising that the change in receivables days is much greater than the change in payables days and so there is likely to be an overall decrease in cash levels.

Credit should also be given to students who argue that suppliers may refuse to supply if their receipts are delayed, thus causing possible problems for the business and worsening cash levels. Similarly, allowing receivables a longer time to pay may boost the business's sales and improve cash levels.

0	2	Analyse, using **two** financial ratios, the financial constraints faced by KMH plc in attempting to fund the new strategy. **[12 marks]**

Marks for this question: AO1=3, AO2 =3, and A03=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 marks**
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 marks**
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 marks**

The focus of the question is on:

- using the results from two appropriate ratios (only 2016 is required)
- show how KMH's current financial position limits the availability of finance for the new strategy

Indicative content:

2016 gearing = 4567.5 / (4567.5 + 2508) * 100 = 64.55% (2015 was 56.07%)
Gearing with an extra £50m borrowed = 4617.5 / (4617.5 + 2508) * 100 = 64.8%

Borrowing to finance strategy may not be a sensible choice – though arguments could question the relative cost of loan vs share capital with interest rates still relatively low for a large borrower such as KMH plc

2016 current ratio = 6058.0 / 4086.5 = 1.48 (2015 = 1.46)
Current ratio with £50m cash deducted = 6008.0 / 4086.5 = 1.47

This implies the firm's liquidity, would be reduced; it may be argued that this could be low and create liquidity problems; however the ratio is still higher than in 2015

2016 ROCE = 6.9% (2015 was 9%). This relatively low level (especially the decline) suggests it may be hard to attract external equity investment. It could also be an indicator of the firm's inability to fund the investment through retained profit.

Other acceptable ratios include profitability margins used to assess either the attractiveness of KMH to external investors or their ability to use retained profit as a way of raising finance

	2015	2016
Gearing (%)	56.1	64.6
Current	1.46	1.48
ROCE (%)	9	6.9
Operating margin (%)	8.8	7.1
Gross margin (%)	21.0	20.4

Share price has fallen from a high of over £12 to under £7 – suggests financing the new strategy through sale of shares may not be a sensible option since a greater number of new shares would have to be issued at this lower price to raise the funding needed – diluting ownership further

Note – if only 2015 figures used, responses should still be credited. It is possible to argue that investment in the new strategy took place in the second half of 2015.

Section C

2	1	To what extent are financial ratios the best way of assessing the performance of non-profit organisations, such as charities or mutuals? **[25 marks]**

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

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

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

The demands of the question are:
- showing an understanding of financial ratios and non-profit organisations
- understanding and analysing when financial ratios may be appropriate measures of performance for non-profit organisations
- analysing why financial ratios may be an inappropriate measure of performance and/or analysing alternative measures of performance
- evaluating the extent to which financial ratios are the best way to assess the performance of non-profit organisations.

Indicative content may include:
Analysing the usefulness of financial ratios, such as:
- profitability ratios can be used to monitor profit in order to support charitable purposes or they may be used to guide these organisations towards breaking-even financially over a period of time
- liquidity ratios can identify potential issues, such as cash flow problems
- gearing can identify potential long-term cash problems
- efficiency ratios can prevent inefficiency in managing payables, receivables and inventory.

Analysing why non-financial measures are used, for example:
- in Elkington's Triple Bottom Line 'People measures' may focus on actions that are aimed to please customers or employees, whilst 'Planet measures' are those targeting sustainability and environmental priorities
- for Kaplan and Norton, analysis can analyse measures based on the financial perspective in comparison to the customer, internal business, and learning and growth perspectives
- analysing other non-financial measures of performance.

Applying this analysis to the specific needs of non-profit organisations and/or their stakeholders.

Evaluation
- recognising that all measures of performance (financial and non-financial) look at past performance and so may not necessarily be an indication of future performance
- assessing the relative importance of different measures of financial performance for organisations, with specific reference to non-profit organisations
- making a reasoned judgement on whether financial ratios are the best way of assessing the performance of non-profit organisations
- using Elkington or Kaplan and Norton to assess the relative importance of financial and non-financial measures of performance
- basing this judgement on the specific requirement of non-profit organisations and their stakeholders.

Question 08 · Section A objective test question

Correct answer: B

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

Question 12 · Section A objective test question

Correct answer: D

learning and growth perspective

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

Question 13 · Section A objective test question

Correct answer: D

Statement 1 is false. Statement 2 is false.

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

0	4	Elaine's view is that Personal Care was Sunport PLC's most successful division in Europe in 2019. To what extent do you agree with Elaine's view? You should support your answer using **Appendix D** and the **other information provided**. **[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**

The demands of this question are:
- uses data from Appendix D to analyse the performance of the three divisions
- makes a justified judgement on which division performed best in 2019.

Indicative content:
- from a financial perspective only, Elaine's view is valid – the Personal Care division had the highest margin, it was higher than Elaine's new target of 12% and the overall company margin in 2019 of 9.4%
- from a learning and growth perspective, Household Cleaning performed best on both indicators. With both a high staff retention, and an indication of the highest level of employee engagement of the three divisions, staff here are likely to be in a position to contribute most to the company's current and future success – suggesting Elaine's view is wrong
- Household Cleaning also performs best from an internal process perspective, being the only division meeting the company target for recycled packaging materials and more new products in development than the Personal Care division suggesting Elaine's view is wrong
- from a customer perspective, Household Cleaning again comes out best, with a 90% recommendation rate. Although Personal Care is not too far behind on 80%
- stronger arguments may recognise that the different types of product may naturally lead to different levels of performance on different measures, eg Household Cleaning packaging may be more naturally suited to the use of recycled materials than packaging for Personal Care products.

Evaluation
An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of the relative performance in financial and non-financial terms.

Given the importance of the balanced scorecard approach to the business under Martin, Household Care clearly shows the best all-round performance, with its only major weaknesses being profit margin – though this may be the result of the type of product being sold.

Given Elaine's focus on profit margins, Personal Care would be the best performer, though Martin was in charge during 2019, so his balanced scorecard approach would be the best way to judge success during that year. As the business' strategy changes and Elaine shifts the priority to profitability, the metrics used on the balanced scorecard may be adjusted.

0 1 . 4	With reference to the data provided would you advise a potential investor to buy shares in AJS plc? Justify your view. **[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 throughout.	**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**

The demands of the question are:
- to show an understanding of the issues a potential investor may consider
- to consider the arguments that AJS plc is a reasonable investment, based on the data
- to consider the arguments showing AJS is not a reasonable investment, based on the data
- on the balance of arguments to make a judgement about whether to advise to invest or not.

Indicative content:

Possible points suggesting that the investor should not buy shares in AJS plc:
- AJS plc is in a declining market – trend clear for non-recyclable packaging in **Appendix B**, is this the part of the market to invest in?
- the non-recyclable market is much larger than the recyclable – possibly offsetting the trend for the niche to be rising
- share price in the business has fallen in 2022, whilst top 100 rose – is this indicative of some issues with the business
- HR data shows issues in the business – this could make for future bad publicity or continued issues – possibly making investment less attractive
- AJS plc is not in the recyclable market, this market is growing at an accelerating rate (though from a low base).

Possible points suggesting the investor should buy shares in AJS plc:
- finance – much of the financial data is positive – **Appendix E** – points could be readily supported with selection from this data or applying some analysis of ratios, eg liquidity is favourable; ROCE from Q1.2 could also be interpreted (OFR)
- low Gearing does not make AJS plc vulnerable to interest rate rises
- share price fell last year – does this mean there is potential for it to rise back again in the future?
- the proposed investment (by AJS) shows ambition for the future, which is positive. This investment is predicted to yield a positive return (NPV figure) – although this is based on operations manager's own data (OFR).

Overall, evaluation will flow from the balance of the analysis of the data. The advice will however depend on:
- an overall judgement on the position of the business on the decision
- the scale of the proposed shareholders' investment – how risky is it for the investor, ie can they afford to lose the investment?
- any plans for AJS plc in the future that may not be reflected in the data
- some of the data is reflecting back, eg HR and finance, does this reflect the current position and might it change in the future?
- how reliable is the data in key areas, eg the market information and the investment appraisal?
- the future will also partly depend on external factors.

Allow other relevant arguments.

0 2 . 4	Would increased homeworking improve the performance of businesses that use Elkington's Triple Bottom line to measure their success? Justify your view. **[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 throughout.	**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**

The demands of the question are:
- to demonstrate understanding of Elkington's Triple Bottom Line (TBL)
- analyse how increased homeworking may or may not improve the performance
- to judge whether homeworking improves performance in relation to TBL
- for any business that uses TBL.

Indicative content:

Elkington's Triple Bottom Line refers to performance related to Profit; People and Planet.

Profit:
- homeworking may improve performance related to profit, eg as some costs may be saved; staff may be more productive some of the hours saved commuting may be used working
- homeworking may see increased costs, eg investments in IT and training; productivity may fall if staff are monitored less possibly increasing unit costs. Customer service could decline impacting on sales.

People:
- some staff may find the flexibility of homeworking to be beneficial in terms of motivation and in terms of work-life balance. Both could help staff retention and be an indicator of positive performance for a business
- some staff may be better motivated by working with colleagues and value the distinction between home and work. This could diminish motivation rates and staff turnover and be a negative indicator of performance.

Planet:
- homeworking seems to have positive impacts on environmental issues, eg numbers commuting and related pollution. Running fewer offices could also reduce a business' carbon footprint. It could be important in judging a business' success against environmental targets
- will the carbon footprint of the firm be moved to that of their employees at home?

Overall

Some of the measures may improve whilst others may worsen. It will depend on:
- which of the three measures the business sees as most important
- the sector/type of business
- the extent of homeworking – will blended/hybrid patterns change the performance?

Allow other relevant arguments.

2	3	
		A business has recently started to use Elkington's Triple Bottom Line to assess its overall performance. To what extent do you think the business is likely to have lower profits as a result of this? **[25 marks]**

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

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

2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole	6–10
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions	1–5

The focus of the question is on:
whether introducing the use of Elkington's Triple Bottom Line is likely to reduce profits.

Indicative content may include:
Elkington's Triple Bottom line is a means of assessing business performance by considering three different factors: profit, people and planet.

This approach contrasts with other businesses which focus on the shareholder concept – prioritising the needs of shareholders. The Elkington Triple Bottom line also judges business performance based on its social responsibilities (people) and its environmental values (planet).

Reasons why introducing this approach might lead to lower profits:
- focusing on People and the Planet can benefit stakeholders, such as employee and local communities, but these benefits may involve higher costs for the business and thus lower profits
- decisions made may be good for employees or the environment but not for profits

Reasons why this approach may lead to higher profits:
- environmentally aware customers may increase their demand for the business's goods
- careful management of scarce resources can lead to a reduction in factor inputs and thus unit costs
- employees may be more cooperative and productive as they feel more recognised

Evaluation may consider:

- the findings of the Elkington Triple Bottom Line – how well is the business doing on the various indicators at the moment; may be the existing actions are acceptable and there is no need for any change and no effect on profits
- the actions taken as a result of using the Elkington Triple Bottom Line; what are the priorities of the managers and, how does this affect decisions and profits
- the impact of any actions taken on demand and costs
- profits may fall but the introduction of the Elkington Triple Bottom Line may suggest that the business is not only focused on profits and so does not mind if profits fall

Section D

2 3	More businesses are now using broad measures of overall business performance, such as Kaplan & Norton's Balanced Scorecard and Elkington's Triple Bottom Line, rather than focusing solely on financial ratio analysis. To what extent does this mean that financial ratio analysis is no longer important to a business? **[25 marks]**

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

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some 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.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question	**6–10**

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

The demands of the question are:
- showing understanding of financial ratio analysis as a measure of business performance
- showing understanding of broader measures of performance, such as Elkington and Kaplan & Norton
- analysing the importance of ratio analysis to a business, both as a measure of performance and as a source of improved performance
- evaluating the extent to which financial performance is important in comparison to other measures
- evaluating the extent to which financial performance is an important component in enabling broader objectives to be achieved.

Indicative content may include:
- financial ratio analysis can show whether a key objective – profitability – is being met
- financial ratio analysis can assess other aspects of finance, such as liquidity, gearing and financial efficiency, all of which can be vital to the continued existence of a business

(Students may focus on specific ratios and analyse their usefulness to the business)

BUT
- financial ratios may be based on unreliable or subjective data and valuations
- different approaches to accounting can make objective comparisons difficult
- financial ratio analysis looks at the past rather than the future

AND
- financial ratio analysis is based primarily on the needs of shareholders (the shareholder concept) and so this measure of performance is purely based on the needs of a single (but important) stakeholder
- businesses need to/should assess their performance in respect to all stakeholders
- Elkington does this by looking at people and planet (as well as profit)
- Kaplan & Norton assess performance through four perspectives: customer, internal business processes, learning and growth and financial'.

Evaluation may consider:
- financial ratio analysis is important because it is the key to shareholder concept measures of performance and one of the key factors in the broader measures of performance
- successful financial management is needed to finance broader measures of business performance
- broader measures provide more balance and reflect the need to look after the interests of all stakeholders. This factor is growing in importance
- all measures of performance can be influenced by external factors and therefore not be a precise way of measuring performance.

Further guidance

The main focus of the question is on ratio analysis. Specific understanding of non-financial measures of performance is not required, but a recognition of these types of measures is needed for a L4 or L5 answer.

0 2 . 3	Stricter laws have affected WR's taxi business. To what extent do you think that legal changes create more threats than opportunities for businesses? **[16 marks]**

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

The demands of the question are:

- to consider a range of issues
- to clearly analyse whether legal changes create opportunities or threats
- to have balance in arguments
- to decide the extent to which legal changes create **more** opportunities than threats for businesses

Indicative content/answers may include:

Legal changes may create threats:
- may increase costs, e.g. through additional commitments to staff or need to make products safer
- may reduce/prevent revenue, e.g. by preventing a business from competing in a particular market or in a particular way.

However legal changes may create opportunities, e.g. by providing legal protection against foreign competition, trade agreements or through competition policy preventing other businesses being anti-competitive.

Changes in the law are likely to be a threat for some but an opportunity for others.

The overall effect will depend on:
- the specific legislation being considered
- the way a business responds; this may depend on its management
- the ability of a business to respond, e.g. its competences and flexibility.

Accept other relevant answers.

Further guidance

The question is about businesses in general not just WR. A response focused just on WR would not fully meet the demands of the question. However, there is no need to specifically mention other businesses; it is valid to compare situations when legal change could create opportunities/threats for businesses without naming a specific business. No specific laws need to be mentioned but could be evidenced using specific contexts for example the sugar tax or environmental legislation such as emission laws (accept other relevant examples).

0 3 . 3	'Legislation to protect the environment is always damaging to business.' To what extent do you agree this is true for **all** businesses? **[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 throughout.	**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 the 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**

The demands of the question are:
- to show understanding of the business impacts of environmental protection legislation
- to provide a balanced analysis of the impacts in the context of all businesses
- to make a judgement on whether environmental protection legislation is always damaging to all business.

Arguments may include:
- legislation may reduce sales or stop them altogether for example, inefficient wood-burning stoves
- raising minimum environmental standards may threaten the USP/brand image/market share of firms that already exceed standards
- legislation may lead to increased costs such as:
  - monitoring and reporting compliance
  - product development
  - costs of 'treating waste', eg purifying water, filtering air, recycling waste
  - additional elements to product, eg insulation in new homes
- legislation may put a business' environmental credentials in the public domain, eg reporting of greenhouse gas emissions (could be good (a USP) or bad (reputational damage) for the business)
- legislation may reduce competition if existing rivals find it too expensive/complicated to comply with
- legislation may lead to completely new products, eg electric cars, home insulation, so may give opportunities for businesses to enter markets
- legislation may drive innovation leading to efficiency.

Accept all relevant arguments.

Judgement may depend on:
- whether the business is an existing or new business
- the financial situation of the business – can it afford to make any changes required effectively
- the speed of implementation of the legislation, laws publicised decades in advance may not hinder existing businesses
- public awareness of and interest in the specific environmental issue.

Further guidance
Only credit arguments about legislation which is environmental protection in nature.

0	5	To what extent do you agree that VBM's biggest threat is changes in legislation? **[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**

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**

The demands of this question are:
- shows understanding of a threat (external change that may work against VBM's interests)
- analyses scale of changes in legislation as a threat to VBM
- analyses scale of another threat(s) to VBM
- offers a justified judgement on whether changes in legislation are the greatest threat facing VBM.

Indicative content:
Legislation could be the biggest threat because:
- changes to the law are damaging sales of its main product in key markets
- the changes to the law threaten to make its core competence irrelevant
- the changes are having an immediate impact on sales
- changes in legislation are unlikely to be reversed.

Legislation is not the biggest threat because other threats may be greater:
- environmental concerns have led to politicians passing this legislation
- consumers, certainly in Europe, are embracing the switch to electric vehicles – showing their environmental concern
- competitors' actions are a threat because they were faster off the mark with the development and launch of electric vehicles
- competitors will have significant advantages based on the experience curve principle
- other external issues, such as further technological change or global economic downturn may pose a significant threat
- legislation is being planned years in advance and this minimises the threat as it is visible.

Accept other relevant arguments.

Evaluation
Evaluation should be focused on the scale of the threat – there is room to debate whether the legislation is driving consumer behaviour or vice versa. The legislation is primarily focused on cities for now, once broader legislation covering countries is passed, this would be an even greater threat, VBM's internal response (slow to change) has certainly intensified the danger caused by changes in the industry. Could conclude that several issues are intertwined.

Responses that only consider legislation will only be focused on some demands of the question. Good or excellent responses will contrast the scale of legislation as a threat with another threat to VBM.

Question 05 · 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: D

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

Question 09 · 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: C

Lower income taxes

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

Question 12 · Section A objective test question

Correct answer: A

Decrease/Decrease

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

Question 03 · Section A objective test question

Correct answer: D

A rise in GDP and a rise in the exchange rate value of the pound

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

0 3 . 4	Explain **one** impact of a fall in the value of the pound on DT's sales. **[4 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A good response that focuses on many of the demands of the question.** • Impact of a fall in the value of the pound is explained clearly in context.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Good understanding of exchange rates. Or some understanding with some use of case.	3–2
1	**A limited response overall that focuses on a few demands of the question.** • Some understanding of exchange rates or relevant point made.	1

The demands of the question:

- to understand the impact of a fall in value of the pound
- understand the context of a business trading internationally
- linking a change through to DT's sales.

Indicative content:

- exchange rate is the price of one currency in terms of another
- DT exports to Europe all of its product
- if the pound falls in value (relative to the Euro for example) the products will appear less expensive to European customers, meaning that sales are likely to be positively affected

Allow other relevant answers.

0 2 . 1	Nari operates on the highest level of Carroll's Corporate Social Responsibility pyramid. Explain how the information provided supports this view. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 1, AO4 = 1

Carroll's social responsibility pyramid has four levels: economic, legal, ethical and philanthropic.
The highest level is the philanthropic level (**1 mark**).
Because this involves a desire to invest in society/communities (**1 mark**).
Which Nari wants to do by contributing to charities /its environment (**1 mark**).

0 2 . 2	Nari is experiencing protectionism in its European markets. Explain how Nari's marketing managers might respond to this protectionism. **[5 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** eg explain how Nari's marketing managers might respond to the protectionism it faces (which limits the quantity of sales).	**4–5**
2	**A reasonable response overall that focuses on some of the demands of the question.** eg provides some explanation of how a business might respond to protectionism.	**2–3**
1	**A limited response that focuses on few demands of the questions.** eg shows understanding of protectionism.	**1**

The demands of the question are:
- to explain how Nari's marketing managers
- might respond to the protectionism it faces its European markets.

Note: the protectionism Nari faces limits the quantity of sales.

Indicative content/answers may include:
- marketing managers may seek to develop new markets for its products. It has a relatively high proportion of its sales in Asia so may try to build on existing brand awareness and promote more or develop existing distribution channels, eg with more promotional spending
- alternatively Nari 's marketing managers might target some regions where it has a low presence and invest in brand building and building a distribution network
- within the European markets it may focus on its higher profit margin products so it makes more profit from the limited number of sales.

Accept other relevant arguments.

0	2	.	2	Analyse the likely effects of a significant increase in interest rates on the profits of car manufacturers. **[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 marks**
2	**A reasonable response overall that focuses on some of the demands of the question.** provides an answer to the question set that : • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding or relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6 marks**
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 marks**

The focus of the question is on:

- The effects of a significant increase in interest rates on car manufacturers and how and why this could affect their profit (e.g. through the impact on costs and/or demand).

Indicative content may include:

- High interest rates increase costs of borrowing; car purchases are often made on credit, a significant rise will impact on the cost of customer borrowing and payments necessary to service the debt and therefore increase the overall cost of purchasing the car. This may reduce the amount of cars sold on credit as fewer customers can afford the higher level of interest and therefore reduce demand and hence sales revenue and potentially profits of car manufacturers.
- Higher interest rates may create further excess capacity in the industry (due to less demand). Lower capacity utilisation increases the cost per unit and reduces the profit margin on each car.
- High interest rates may encourage savings leading to less spending on cars, especially if interest rates are significantly increased; this may mean cars are produced but left unsold until

the car manufacturers can adjust supply to demand again this reduces profits through unsold or discounted stock.

- High interest rates may increase borrowing costs and reduced profits, especially for companies with high gearing ratios. This is especially likely in the automotive industry where research and development, plant and equipment and employee training require regular updates and heavy investment.
- High interest rates could put off some companies from undertaking investment/modernisation plans as cost of borrowing is prohibitive, leading to increased costs of production over time and reduced profits.

1 9 **Table 3** below shows data on GDP and exchange rates for Country X in 2019 and 2020.

The currency of Country X is the peso.

Table 3 GDP and exchange rates for Country X

	2019	2020
Index of GDP	200	210
Value of peso in US $	$1.00	$1.10

A business manufactures and sells its products in Country X, but imports raw materials from the United States of America (US).

Analyse the possible impact of the changes in this data on the profitability of this business.

[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 this question are:

- analysing how the data in the table might improve or worsen the profitability of a business that manufactures and sells its products in Country X, but which imports raw materials from the USA.

Indicative content:

- Analysing that an increase in GDP (of 5%) should lead to an increase in demand (of possibly/approximately 5%). Higher GDP may also help the business to charge a higher price as incomes should increase in Country 'X'. This will increase profitability.
- Analysing that a 10% increase in the exchange rate of Country 'X's currency to the USA $ will lead to a fall in the price (possibly about 10%) of any raw materials imported from the USA.
- Analysing that lower raw material prices should lead to lower costs (the exact level depending on the extent of other manufacturing costs).
- Analysing that lower costs will lead to a higher profit margin (or more sales volume if the selling price is cut).
- Analysing that both factors in the table will lead to an improvement in overall profitability.
- Credit should also be given to students who argue why the 5% increase in GDP might change demand by a different amount, possible using income elasticity of demand in their argument. Similarly, arguments can relate to the possible impact of these two factors on selling price and thus profitability.

2	**0**	A UK manufacturer is highly geared and exports 60% of its output. Analyse the impact of a significant increase in UK interest rates on 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:
- understanding the notions of interest rates, highly geared and exports
- analysing how an increase in interest rates will impact on UK manufacturers in general
- developing this analysis in the context of a UK manufacturer that is highly geared and a major exporter.

Indicative content:
- understanding that higher interest rates should increase payments on borrowed money and thus increase costs/worsen cash flow
- understanding that higher interest rates can lead to lower demand for products as consumers pay more interest on borrowed money
- understanding that higher interest rates will impact on the exchange rate for sterling. Sterling will become a more attractive currency for currency flows/hot money and so the value of the £ will rise against other currencies possibly leading to reduced exports
- analysing that this business has high gearing and so higher interest payments will be a significant cost, thus reducing profits
- analysing that the business exports 60% of its products and so the decrease in UK demand because of the higher interest rates will only affect 40% of the business' sales
- analysing that higher interest rates should lead to lower capital investment because the cost of borrowing increases.

NB. It is not necessary for an answer to include a reference to exports in order to reach L3.

The question asks students to "Analyse the impact of a significant increase in UK interest rates on this business." The opening sentence provides context. A student who uses the high gearing context to show how this might:

(a) increase business costs, and

(b) lead to lower demand because of high interest rates for consumers

will have provided a comprehensive answer to the question set by focusing on just the first element of the context.

1	**9**	Analyse how a government changing its fiscal policy might affect a business which produces healthcare products. **[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 this question are:
- showing an understanding of fiscal policy – government spending and taxation
- analysing how the changes in fiscal policy indicated by the student might impact on a producer of healthcare products.

Indicative content:
- analysing that taxation might increase or decrease. An increase in taxation is likely to lead to a fall in consumer spending power and thus lower demand for products in general, and thus healthcare products. A decrease in tax is likely to lead to higher demand for (healthcare) products
- analysing that the impact of taxation will vary according to the taxes which are changing. Changes to VAT will affect price directly but income tax will affect the quantity demanded
- using the context of healthcare products appropriately. For example, analysing that changes in government spending will directly affect a healthcare producer which supplies the NHS. In contrast, changes in taxation are more likely to influence spending on healthcare products that are purchased directly by individuals
- analysing that changes in both government spending and taxation may impact on UK GDP and subsequently increase or decrease levels of income in the economy and thus spending on all products, including healthcare products.

NB. Credit will be given to students who demonstrate a specific understanding of the context of healthcare products; such as prescription medicines possibly being free of charge or the fact that some medicines are free of VAT. However, this type of knowledge is not needed to achieve L3.

*Marker's note: Candidate must understand that fiscal policy involves government spending **and** taxation in order to reach L3.*
*Do **not** credit references to monetary policy or government legislation/intervention.*

0 2 . 3	*Lego's profits depend partly on exchange rate changes. To what extent do you think managers of **all** businesses need to worry about the impact of exchange rates on profits?* **[16 marks]**

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

The demands of the question focus on:

- the need to make clear link between changes in exchange rates and profits of businesses
- the need to make a supported judgement on the extent to which managers should worry about the impact on the profits of a business of changes in the exchange rate.

Answers may include:

- a decrease in the value of the exchange rate (eg the value of the krone in euros) will make products less expensive in foreign currency all other things unchanged; this is likely to increase sales (depending on the price elasticity of demand) and increase profits
- a decrease in the value of the exchange rate will increase the price of imported components all other things unchanged; this will increase costs and reduce profits.

Whether managers should worry depends on factors such as:

- how much the business is exporting or importing, eg Lego clearly big exporter but is opening more bases overseas so may source more products locally
- how much the exchange rate has changed, in which direction, against which other currency and for how long
- could use the fall in the value of the Krone against the euro to analyse the impact of a falling currency
- which exchange rate changes, eg Lego sells in over 130 countries
- whether the change has been anticipated and suitable actions taken.

The judgement is on **the extent to which managers should worry** – strong responses will consider; what does this depend on? What makes it more or less likely they will worry?

The question asks about **all** businesses generally, ie the question is not focused on Lego specifically. An excellent response must consider issues beyond Lego. It is not a requirement that Lego is used in the arguments.

Credit other valid lines of analysis and judgement.

0 1 . 4	To what extent do the changes in the economic environment create more threats than opportunities for SCF? Use **Appendix E** and the other information provided in 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 throughout.	**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**

The demands of the question are:
- to consider the impact of a range of economic factors for SCF
- using **Appendix E** and **other information**
- to analyse why those factors represent threats or opportunities for SCF
- to make a judgement about whether the economic environment presents more threats than opportunities for SCF.

Indicative content:
- unemployment, that is projected to rise to 7% by 2028, may reduce UK consumers' disposable incomes and confidence, creating a threat as demand for products such as computers may fall
- a trend towards higher interest rates (predicted to rise to 6.1% by 2028) may reduce demand as computer purchases may involve credit and this will be more expensive, creating a threat
- low rates of economic growth in the company's domestic market (between 0.2 to 1.3% over the period 2025–2028) suggest a threat to the plans for growth in this market
- depreciation of Sterling against the Euro (from £1 = €1.18 in 2025 to £1 = €1 in 2028) will make it more expensive to invest into the EU presenting a potential threat to this strategic option
- higher interest rates may present a greater threat to competitors who may be more highly geared and thus be an opportunity for SCF (who are low geared)
- economic growth in the EU should improve living standards and create demand for the finished product and therefore SCF's components, so may be an opportunity
- the strengthening value of the Euro may present an opportunity as SCF's EU-generated profits will be worth more when repatriated to the UK
- Sales in the UK are expected to fall, whereas those in the EU are rising so represent threats and opportunities.

The overall effect will depend on:
- the successful implementation of plans to build a new factory that may allow SCF to take advantage of better economic prospects in the EU
- the way in which the company responds to predicted changes in the economic environment, such as low UK growth and rising unemployment
- the accuracy of the economic forecasts taking timescales into account. For example, growth forecasts are notoriously inaccurate, even over much shorter periods than those shown, and inaccurate growth forecasts are likely to be associated with similar inaccuracies in other linked variables such as unemployment and interest rates.

Further guidance
Overall, there seems to be a balance between whether the data present more threats than opportunities. The company needs to take these factors and other influences into account as the extent to which they are a threat is likely to depend upon how effectively the company responds to the challenges presented by its external environment.

Accept other relevant arguments and conclusions.

0	5	Most journalists blamed the fall in KMH plc's profits on either a failure to control costs or a slowdown in the growth of the global economy. Which of these two reasons do you believe is the main cause? Justify your answer using information from the case study and Table 2. **[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**

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**

The focus of the question is on:

- The causes of falling profits for KMH
- Use of data in table 2 and the case study to quantify the significance of the two main causes
- Demonstrating causal links showing how each of the two major causes had a negative impact on KMH's profitability
- Weighing up the impact of the two main causes to decide which played the greater role in KMH's declining profits

Indicative content:

Global economy:

- Hurts sales of cruise ship engines, as cruise ship operators seek to cut costs to counter falling revenues, postponing investment in new ships
- Cruise ship operators also postponing new orders as oil price slump led to less pressure to cut running costs of engines by upgrading to new fuel efficient engines
- In the luxury yacht market, formerly rich customers found their wealth diminished due to falling oil prices
- The global economy mainly affects revenues. These can be seen to have fallen from 2014's high point, by around £894m (11.5%)
- Responses that suggest global economy is contracting should be credited – recognition that growth continues, but at a slow rate would be making more effective use of context

Failure to control costs:

- If revenues fall the firm would need to reduce costs to maintain profit and profitability

	2014	2015	2016	% change 2014-2016
Revenue (£m)	7756.5	7441.7	6862.5	-11.5
Cost of sales (£m)	6098.1	5879.1	5462.7	-10.4
Gross profit (£m)	1658.4	1562.6	1399.8	-15.6
Gross profit margin (%)	21.38	21	20.4	-4.6
Operating expenses (£m)	903.5	906.5	910.4	+0.76
Operating profit (£m)	754.9	656.1	489.4	-35.2
Operating profit margin (%)	9.73	8.82	7.13	-26.7

- Gross margins fell from 2014 through to 2016
- Expenses rose marginally at a time of falling revenue
- Operating margin fell from 2014 through to 2016
- Short's first move was to look to push expenses (esp. management salaries) lower – this could imply the company's acceptance that expenses had not been effectively controlled

Evaluation may consider:

- Profit margins have fallen, most notably operating margins. Cost of sales has fallen by a little less than revenue proportionately. However, expenses have risen at the same time. However – the increase in expenses has been marginal in percentage terms.
- Revenues have declined significantly – there have been several issues relating to the economic slowdown that combine to reduce revenues
- The economic slowdown seems to be the more likely culprit but the impact was worsened by the increase in expenses

2	3	To what extent do you think that UK businesses will experience a fall in profit if governments limit free trade by adopting more protectionist policies? **[25 marks]**

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

Level	The student will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some 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.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

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

The demands of the question are on:

- examining the consequences of a fall in free trade and a rise in protection, globally
- analysing how these consequences will affect the levels of profit in UK firms
- evaluating the extent to which these changes will lead to a fall in profit.

Indicative content may include:

- on a global scale, free trade encourages free movement of goods and services and thus provides an environment in which greater efficiency of production is encouraged
- free trade enables countries to specialise in providing goods that suit their skills and resources
- protectionism restricts trade and thus limits the benefits of free trade
- protectionist policies will make it more difficult to export goods
- protectionist policies will make it more difficult to import raw materials.

BUT

- protectionism will reduce competition from overseas in the UK market
- protectionism may lower global benefits of free trade and thus reduce living standards, thus lowering sales globally
- protectionism may help small firms to enter markets that have been dominated by overseas competitors
- protectionism is likely to lead to changes in international location strategies of businesses.

The extent to which UK firms will experience a fall in profit will depend on:

- whether they are an exporter, importer or purely a domestic business
- what protectionist measures are introduced and how long for
- the impact of changes in exchange rates arising from protectionist policies
- the impact on access to the domestic market and overseas markets
- whether a reduction in competition will lead to higher prices
- the extent of these changes, eg how many countries involved
- the extent to which businesses have expected and prepared for these changes.

Section D

2 3	'Emerging economies are beneficial to UK businesses, but only as potential markets to help UK businesses to achieve growth.' Do you agree? Justify your view. **[25 marks]**

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

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

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

The demands of the question are:
- showing an understanding of 'emerging economies'
- analysing how emerging economies might help UK businesses to grow by providing potential markets for goods
- analysing how emerging economies might affect the growth of UK businesses in other ways, such as in their role as competitors or suppliers of raw materials or sources of labour
- assessing the extent to which emerging economies are vital to UK businesses and the extent to which this is through their role as potential markets for products.

Indicative content may include:
- understanding that emerging economies are likely to grow at a faster rate than more developed economies
- analysing how the growth of these economies will lead to the opening of new markets for UK businesses and thus an increase in demand for products globally
- analysing how the increasing affluence of these markets is likely to lead to greater demand for goods with high income elasticity of demand/products, particularly those made by developed economies such as the UK
- analysing how these developing markets may have lower unit costs as wages, rent etc may be lower and therefore could provide UK businesses with cheaper sources of materials and services
- analysing how the growth in skills of the populations of emerging economies may provide a new source of labour for UK businesses, especially if they are prepared to establish factories in the developing countries
- analysing how emerging economies can encourage joint ventures between UK businesses and those in emerging economies, allowing each business to benefit from the relative strengths of the other business
- assessing the extent to which different businesses may benefit in different ways; such as an increase in sales revenue for some businesses but lower production costs for others.

Evaluation
Overall, the benefits are likely to fit into two distinct areas:
- advantages gained from greater access to the new markets provided by growing economies, leading to more sales revenue
- benefits gained from improvements in efficiency acquired from access to the resources in the emerging economies.

The overall evaluation will depend on the weighting of the arguments presented in analysing this question. However, logic would suggest that emerging economies are beneficial in different ways and not solely as potential markets.

Question 06 · Section A objective test question

Correct answer: D

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

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

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

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

$$\frac{£218.8m}{128.0p}$$

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

= 170 937 500 shares (3 marks)
= 170.9375 M

3 marks for correct answer
2 marks for partial calculation e.g. mistake in use of £ and p in calculation
1 mark some understanding of market capitalisation/link to share price

Formula alone = **1 mark**

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

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

2009 is 82 2019 is 146 Change is a rise of 64

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

= 78.048% OR 78.0% OR 78

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

0 2 . 1	Nari operates on the highest level of Carroll's Corporate Social Responsibility pyramid. Explain how the information provided supports this view. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 1, AO4 = 1

Carroll's social responsibility pyramid has four levels: economic, legal, ethical and philanthropic.
The highest level is the philanthropic level (**1 mark**).
Because this involves a desire to invest in society/communities (**1 mark**).
Which Nari wants to do by contributing to charities /its environment (**1 mark**).

0 2 . 2	Nari is experiencing protectionism in its European markets. Explain how Nari's marketing managers might respond to this protectionism. **[5 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** eg explain how Nari's marketing managers might respond to the protectionism it faces (which limits the quantity of sales).	**4–5**
2	**A reasonable response overall that focuses on some of the demands of the question.** eg provides some explanation of how a business might respond to protectionism.	**2–3**
1	**A limited response that focuses on few demands of the questions.** eg shows understanding of protectionism.	**1**

The demands of the question are:
- to explain how Nari's marketing managers
- might respond to the protectionism it faces its European markets.

Note: the protectionism Nari faces limits the quantity of sales.

Indicative content/answers may include:
- marketing managers may seek to develop new markets for its products. It has a relatively high proportion of its sales in Asia so may try to build on existing brand awareness and promote more or develop existing distribution channels, eg with more promotional spending
- alternatively Nari 's marketing managers might target some regions where it has a low presence and invest in brand building and building a distribution network
- within the European markets it may focus on its higher profit margin products so it makes more profit from the limited number of sales.

Accept other relevant arguments.

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]**

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

	2019	**2020**
Number of people in employment (millions)	32.6	32.5
Number of people working at least partly from home (millions)	8.7	11.7

Workings:

36% of 32.5m = 11.7m (calculating the missing figure in the table)

Change is 11.7m – 8.7m = 3m

% change = $\left(\frac{3m}{8.7m}\right)$ × 100 = 34.48% increase

3 marks for the correct answer **34.48%** or **34.5%**
2 marks for partial understanding, eg one error (apply OFR)
1 mark for some understanding, eg of percentage change calculation; selecting data

0 3 . 4	'Businesses will never act in a socially responsible way unless they are forced to do so by governments.' To what extent is this true for **all** businesses? **[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 throughout.	**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**

The demands of the question are:
- to discuss the possible motives of business Corporate Social Responsibility
- to analyse the case for and against the statement
- to make a supported judgement as to whether governments will be needed if CSR is to be enacted
- the context is 'businesses' in general.

Indicative content:
- opportunities for use of selected theories to support analysis, eg Carroll
- the role of government is to set a framework of minimum standards to which all must adhere
- some argue that so long as this minimum is adhered to then businesses have done enough (the shareholder view of CSR)
- others argue that businesses have an inherent wider responsibility to society (the stakeholder view)
- there is a potential for government action – sometimes this is enough to cause some change – many businesses would prefer to avoid the constraint of government compelling actions
- there is often a balancing act between short-term profit and the (perceived) threat to profits from acting responsibly.

It is valid for arguments to be supported with examples from the case and wider.

Overall
- It is likely to depend on the business, its target market, the ownership, culture, mission statement etc.
- If consumer demand moves to favour firms with strong CSR/ethics, then government action may not be needed as the profit motive will be aligned with CSR.
- It is likely that for all businesses in all sectors to act in this manner some government intervention might be needed.

Allow other relevant arguments.

0	6	To what extent does a commitment to Corporate Social Responsibility decrease profit for **all businesses**? **[24 marks]**

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

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 a whole throughout.	**21–24**
4	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some 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.	**11–15**
2	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

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

The demands of this question are:
- analyses the impact of socially responsible behaviour on profit
- makes a justified judgement on whether CSR will decrease profit for all businesses.

Indicative content:
- CSR offers opportunities to charge premium prices
- CSR can lead to reduced costs – reduced marketing budgets with greater customer loyalty, the possibility of lower ongoing energy costs of punitive taxes and duties are avoided, less compensation or fines paid out if local communities and the environment are not damaged
- CSR can increase costs – through the use of more expensive suppliers or through reduced productivity if processes are adjusted
- if rivals already practice good CSR, revenues may not rise by adopting the stakeholder principle, but a decline may be prevented – thus protecting, but not increasing profit
- a commitment to good CSR may be superficial rather than leading to action, in which case benefits may be short-lived.

Evaluation
An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations in which the statement could be true weighed up against situations in which CSR will not lead to increased profitability.

The extent to which profit is likely to increase depends on:
- nature of the target market – end consumers may be more concerned with CSR than customers of businesses
- nature of business – determining the extent to which CSR does increase cost
- relative CSR of rival firms which will determine the extent to which good CSR is a point of differentiation.

Overall:
- it might be expected that CSR will increase costs, thus damaging profit
- but there is scope to increase customers' perceived value through CSR
- it is unlikely to be true for all businesses.

	AO1	AO2	AO3	AO4	TOTAL	Quant
1	3	3	6		12	
2	3	3	6		12	
3	2	3	4	7	16	
4	2	3	4	7	16	16
5	4	3	5	8	20	
6	5	4	6	9	24	

2	4	Are demographic factors now more significant than economic factors in influencing the performance of UK businesses? Justify your view. **[25 marks]**

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

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

2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are on:

- the impact of demographic factors on the performance of UK businesses
- the impact of economic factors on the performance of UK businesses
- the extent to which demographic (or economic) factors have a greater or lesser impact on the performance of UK businesses.

Indicative content may include:

Demographic factors may influence performance of businesses:

- net migration leading to changes in total demand and/or demand for certain products
- net migration impacting on the quantity and quality of the labour market
- changes in age distribution leading to changes in demand
- changes in age distribution leading to changes in the nature of the workforce
- changes in total population affecting aggregate demand and the labour market.

Economic factors may influence performance of businesses:

- changes in consumer incomes affecting overall demand and the demand for individual products
- monetary policy and higher/lower interest rates leading to increased/decreased business costs
- monetary policy and higher/lower interest rates leading to decreased/increased demand by consumers
- relative changes in inflation leading to changes in competitiveness with other countries
- exchange rate changes influencing costs of imports and prices and demand for exports
- fiscal policy and taxation affecting demand and costs
- changes in EU membership and its impact on business performance.

The extent to which one factor has a greater influence depends on:

- the extent of the individual changes
- the degree to which changes are universal or just affect the UK
- the nature of the businesses being considered.

OVERALL:

- it might be expected that economic changes are more varied and thus likely to have a greater impact, particularly in the short-run
- demographic changes tend to be more gradual and thus have a long-term rather than short-term impact
- economic changes can be cyclical.

Overall evaluation will be based on the arguments presented. However, **good/excellent evaluation** will require consideration of both demographic and economic factors.

Question 09 · Section A objective test question

Correct answer: A

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

Question 15 · Section A objective test question

Correct answer: B

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

0 1 . 4	Analyse how the combined market share of the largest four manufacturers in the UK RTE breakfast cereal market might affect the threat of entry by other businesses into this market. **[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 issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	4–6
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:
- to analyse how the combined market share effects the entry threat.

Content/answers may include:
- may be low entry threat as potential entrants will fear the response of these big established businesses. May fear aggressive marketing response and/or price war
- established businesses may have brand loyalty making it difficult for potential entrants to win market share and therefore deter them from entering reducing entry threat
- established businesses may be experiencing economies of scale making it difficult for entrants to compete on price because their unit costs are higher; this reduces entry threat.
- remaining market share (35%) is not dominated by big 4 and could be an opportunity for entrants.
- accept OFR from Q1.3

Accept other relevant answers.

Further guidance

Level	Responses typically demonstrate
3	Clear analysis linking high market share to entry threat.
2	Some link(s) made between high market share and entry threat.
1	Fragmented comments about market share and/or entry threat but no links made.

0	4	To analyse its competitive environment in the cruise ship engine market segment, KMH plc uses Porter's five forces model. Use the information provided to decide whether the power of buyers or the likelihood of new entrants is the bigger threat to KMH plc. **[16 marks]**

Marks for this question: AO1=2, AO2 =3, A03=4 and 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 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 • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9-12 marks**
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 marks**
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 marks**

The focus of the question is on:

- The impact on the business of the power of buyers and the likelihood of new entrants
- Applying information from the item to assess the effects of these two forces for KMH
- Reaching a judgement as to which poses the greater threat

Indicative content:

Power of buyers

- Buyers are cruise ship operating companies - relatively few buyers and so these pose a threat in terms of negotiating hard with KMH plc
- There are relatively few contracts in the market so KMH rely on these buyers and will be very keen to win every possible order

Likelihood of new entrants

This is a hard market to enter, with substantial barriers to entry:

- KMH enjoys economies of scale
- KMH holds thousands of patents for its engines
- KMH possesses technical expertise that would be hard to gather for a new entrant
- New entrants would require huge investment in equipment and specialist staff to successfully enter this market
- This makes the threat of new entrants relatively low.

Themes for evaluation:

- Buyer power may be the bigger threat. Buyer power may be becoming the bigger threat due to consolidation in the cruise market – shifting this factor against KMH plc
- The likelihood of new entrants remains strongly in favour of KMH plc
- Reward other arguments based on the quality of the analysis, application and evaluation

0 1 . 5	To what extent does the data show that new entrants are a significant threat to the 'Big 5' banks? **[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 throughout.	**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 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**

The demands of the question are:

- to consider the extent as to how the data demonstrates the possible threat posed by new entrants
- to consider the level of threat to the Big 5 banks.

Indicative content:

- Most challenger banks (90% fully online in App. A) have embraced IT, this caters well for some sections of the market. Online banking is growing as shown in App D.
- The banking market is changing, and this may be a problem for large businesses adjusting to change, smaller newer businesses may be more agile and flexible.
- Challengers focus on deficiencies in customer service (App E) e.g. opening hours with Metro Bank opening 12 hours per day (App A).
- The Big 5 are closing branches – this could create opportunities.
- Rising use of internet banking (App D) may help new entrants – this combined with changing government regulations may have reduced barriers to entry.

However, it could be argued:

- The Big 5 banks are very strong brands – providing a large barrier to entry (Porter).
- Relative size – Big 5 banks have massive resources e.g. Barclays market capitalisation (App C).
- Economies of Scale (85% market share 'big 5' in the market in App B). Also high on industry analysis (App E).
- Market share – 85% of the market is controlled by 5 banks (App B) (Porter).
- Some evidence of challenger banks struggling - Metro Bank share price falling.
- Will existing banks be too powerful and respond to any new entrant in a way to restrict competition?
- Inertia –customers unwilling to switch banks – either in last year, or ever. (App E), this could pose a problem for a new entrant.

Overall, there seems to be some evidence that there is an opportunity for serving a niche market e.g. better service as Metro Bank or online. Will such niche businesses pose a threat? Is the power of the Big 5 banks too great? Evaluation may also question the need for further data to form full judgement.

Accept other relevant arguments.

Section D

2	3	Both supplier power and competitive rivalry have increased in recent years in a particular market. To what extent is it inevitable that this will lead to a decrease in the profits of all businesses in this market? **[25 marks]**

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

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some 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.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

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

The demands of the question are:

- showing an understanding of supplier power and competitive rivalry in Porter's competitive forces
- analysing how greater supplier power and greater competitive rivalry might lead to a decrease in the profits of businesses in this market
- assessing whether it is inevitable that all businesses in this market will experience lower profits.

Indicative content may include:

- Analysing how an increase in supplier power is likely to result from fewer, larger suppliers and how this can lead to businesses having less choice of supplies.
- Developing this logic into showing possible negative consequences for businesses, such as having to pay higher costs for materials and receiving lower quality materials and fewer varieties of materials. These changes are likely to lead to lower profits.
- Analysing how an increase in competitive rivalry is likely to result from new competitors or greater intensity in effort by competitors trying to gain market share in the market. Analysing how a lower market share is likely to lead to lower profits.
- Extending this logic to examine the impact of strategies used when a market experiences greater rivalry, such as price wars, greater focus on new product development and greater expenditure on marketing.
- Developing this logic into showing possible negative consequences for businesses, such as having lower profit margins and greater R&D and marketing costs.
- Analysing circumstances in which profits may not fall (see evaluation section).

Evaluation

Whether profits fall for all businesses will depend on the extent of the increases in supplier power and competitive rivalry. Some businesses might also react by merging or taking-over suppliers and/or competitors, thus reducing the negative impact.

Businesses who employ successful tactics, especially where there is greater competitive rivalry, may drive competition out of the market (this is often the intention) and can thus gain greater market power. This will enable higher prices and profits to be made, and can lead to higher profits overall. Takeovers can also strengthen the bargaining power of a business and thus reduce supplier power.

Question 07 · Section A objective test question

Correct answer: C

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

Question 09 · Section A objective test question

Correct answer: D

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

Question 12 · Section A objective test question

Correct answer: C

Project C

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

1	6	Based on the data in **Figure 4**, calculate the payback of the investment. **[3 marks]**

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

Answer = 2.33 years or 2 years 4 months or 2 years 17 weeks or 2 years 121/122 days (3 marks)

Broken down as follows:

Year	Net return (£)	Cumulative cash flow (£)
0	(50,000)	(50,000)
1	13,000	(37,000)
2	28,000	(9000)
3	27,000	18,000

(1 mark for correct c.c.f column or for figure of 18,000)

Therefore payback = 2 years + 9,000/27,000 = 2.33 years (or 2 years 4 months)
(1 mark) (1 mark)

27000/12 = 2250 (1 mark)
9000/2250 = 4 months (1 mark)

1	7	Based on the data in **Figure 4**, calculate the Net Present Value of the investment. **[4 marks]**

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

Answer = £11,050 (4 marks)

Broken down as follows:

Year	Net return (£)	Discount factor (5%)	Present value (£) / -
0	(50 000)	1.0	(50 000) / 50
1	13 000	0.95	12 350 / 12.35
2	28 000	0.91	25 480 / 25.48
3	27 000	0.86	23 220 / 23.22

(Up to 2 marks for two correct figures in final column)

Thus, NPV = 12 350 + 25 480 + 23 220 = 61 050 – 50,000 = £11 050 or 11 050
(1 mark) (1 mark)

11 050% (3 marks)
£11.05 or 11.05 (3 marks)
11.05% (2 marks)

1	6	Based on the data in **Figure 4**, calculate the payback of the investment. **[3 marks]**

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

Answer = 2.33 years or 2 years 4 months or 2 years 17 weeks or 2 years 121/122 days (3 marks)

Broken down as follows:

Year	Net return (£)	Cumulative cash flow (£)
0	(50,000)	(50,000)
1	13,000	(37,000)
2	28,000	(9000)
3	27,000	18,000

(1 mark for correct c.c.f column or for figure of 18,000)

Therefore payback = 2 years + 9,000/27,000 = 2.33 years (or 2 years 4 months)
(1 mark) (1 mark)

27000/12 = 2250 (1 mark)
9000/2250 = 4 months (1 mark)

1	7	Based on the data in **Figure 4**, calculate the Net Present Value of the investment. **[4 marks]**

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

Answer = £11,050 (4 marks)

Broken down as follows:

Year	Net return (£)	Discount factor (5%)	Present value (£) / -
0	(50 000)	1.0	(50 000) / 50
1	13 000	0.95	12 350 / 12.35
2	28 000	0.91	25 480 / 25.48
3	27 000	0.86	23 220 / 23.22

(Up to 2 marks for two correct figures in final column)

Thus, NPV = 12 350 + 25 480 + 23 220 = 61 050 – 50,000 = £11 050 or 11 050
(1 mark) (1 mark)

11 050% (3 marks)
£11.05 or 11.05 (3 marks)
11.05% (2 marks)

0 1 . 2	Use **Appendix B** to explain **one** reason why Drake Hotels PLC has used sensitivity analysis for the investment proposal. **[4 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A reasonable response overall that focuses on many of the demands of the question.** • Explains one reason why Drake Hotels uses sensitivity analysis for this investment proposal.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Explains one reason why a business might use sensitivity analysis when making a decision.	3–2
1	**A limited response overall that focuses on a few demands of the question.** • Some understanding of the sensitivity analysis.	1

The demands of the question are:
- explain one reason sensitivity analysis
- is used by Drake Hotels for this investment proposal.

Indicative content:
- sensitivity analysis considers what would happen if there were changes in the initial assumptions behind a calculation
- in this case the business is considering the effect of a change in exchange rates or overseas income which would change the likely net inflows and therefore change the expected values of ARR and net present value.

0 1 . 1 Calculate the Net Present Value for AJS plc's proposed investment.

[4 marks]

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

Year	Annual net cash flow £000s	Discount factor	Net present value £000s
0	(500)	1.00	(500)
1	(50)	0.91	(45.5)
2	250	0.83	207.5
3	600	0.75	450
Net present value			112

Answer: £112 000 **(4 marks)**

Most elements of process correct, but one error, eg on addition **(3 marks)** (note apply OFR)
Some understanding of NPV demonstrated by partial calculation, eg applying the discount factors **(2 marks)**
Some understanding of NPV, eg through definition **(1 mark)**

1 7 A company invests £20 million into a new project in Year 0.

In the next two years the predicted net returns of the project, along with the discount factors, are shown in the table below:

Year	Net return (£m)	Discount factor
1	11	0.91
2	12	0.83

Based on the information provided, calculate the expected net present value (NPV) for the new project.

Show your working.

[4 marks]

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

Answer = –£0.03m OR (£0.03m) OR –£30 000 OR (£30 000) OR -0.03M OR -30,000 (4 marks)
Answer = £0.03m or +£0.03m or £30,000 or 30,000 (3 marks)
NB. **If no working shown** award 2 marks for answer of 0.03 or +0.03 (Omitting the 'm' and so no reference to millions)

Broken down as follows:

Present value: Year 1 = 11 × 0.91 = 10.01 **(1 mark)**
Present value: Year 2 = 12 × 0.83 = 9.96**. (1 mark)**

Present value of Years 1 and 2 = 10.01 + 9.96 = 19.97 **(1 mark)**

Net present value = 19.97 – 20 (initial cost in Year 0) = –0.03 **(1 mark)**

OFR applies for incorrect calculations.

0 4	DWS Ltd is considering investing in solar panels. Using **Appendix D** calculate the payback period and the Average Rate of Return of this investment. Based on your results and **other information**, recommend whether DWS Ltd should make this investment. Justify your decision. **[16 marks]**

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

The demands this question are:

- makes a justified recommendation
- correctly calculates payback
- correctly calculates ARR
- uses other information from the case study.

Issues to consider:

Year	Net Cash Flow (£m)
1	0.1
2	0.4
3	0.7
4	1

- payback = 2 years and (0.5/0.7 x 12) 8.57 months (Accept 2 years and 8–9 months) or 37.3 weeks (or 37-38) or 261 days or 2.71 years.
- ARR = £2.2m–£1m = £1.2m/4 years = £0.3m/£1m * 100 = 30%
- environmental performance a special concern – encouraging investment in an environmentally-friendly project
- a corporate objective balancing CSR with profit – this project would offer this balance
- rising energy costs – which will harm the business' ability to keep costs down without investing.

Evaluation will come from weighing up whether they can afford to wait longer than 2 ½ years, given major upheaval facing the business and its worsening financial situation. Evaluation may also suggest that the decision to go ahead may also be argued to depend on the result of the Board's decision on future strategy

Further guidance
Approaches <u>are likely</u> to be:
Excellent: Uses data correctly (payback AND ARR) AND other information to make a clear and well-supported judgement
Good: uses data correctly (payback AND/OR ARR) AND other information to make a supported judgement
Reasonable: Does not use Appendix D or bases argument(s) on incorrect calculations to make a judgement (supported through use of OFR)
Limited: some relevant points

If candidate has ONLY calculated Payback and ARR correctly with NOTHING else written, award L2 for 6 (meets some demands of the question). One correct calculation is Level 1 for 3.

0 1 . 4	Using the data, recommend whether Drake Hotels PLC should go ahead with the proposed investment. Justify 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 throughout.	**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 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**

The demands of the question are:
- use the data to analyse arguments for and against the proposed investment
- to recommend whether Drake Hotels should go ahead with the proposed investment into the new hotel.

Indicative content:
- the hotel has a 12% ARR which is higher than the cost of borrowing (8%) and much higher than its current ROCE (profit is £18m; Capital employed £450 m; ROCE 4%)
- the project has a positive NPV showing that the present value of its discounted returns are higher than the initial costs
- there is a 30% probability of income overseas being even higher which, given that demand is income elastic (+2) and that 70% of customers are from overseas, would benefit the hotel
- Mary has experience of upmarket (luxury) hotels; she was brought in to increase profitability and this seems to achieve this objective.

However, need to consider:
- finance - gearing is already relatively high at 62.2% and if the business borrowed an additional £20m this would rise
- there is 20% of an unfavourable exchange rate change which would probably decrease overseas visitors and reduce the returns
- move from budget to premium; will this cause an issue with branding and perception?
- quality of data- is the new Chief Executive eager to show they have a good plan? Mary's background is marketing; need to ensure the financial data is right.

Overall, there seems a very strong case for the new hotel; there are finance issues but if forecasts are right the returns will cover interest payments. We may just want to check her/his projections before finally deciding.

Accept other relevant answers.
Own figure rule in relation to use of ratios.

0	**5**	Should AM plc invest in building its new factory at Site A **or** Site B? Use quantitative and qualitative information to justify your view. **[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**

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**

The demands of this question are:

- use quantitative data to analyse the benefits of both options
- use qualitative information to analyse the benefits of both options
- make a justified judgement on which option is best for AM plc.

Indicative content:

Calculations:

	Site A	Site B
Break-even output	$\frac{£6m}{£2\,500} = 2\,400$	$\frac{£4.5m}{£2\,000} = 2\,250$
Profit at maximum capacity	10 000 × £2 500 – £6m = £19m	8 000 × £2 000 – £4.5m = £11.5m
Payback	3y 4.3m	3y 2.08m
ARR (assuming 4-year life)	17.97%	25.83%

Arguments for Site A:
- profit at maximum capacity is higher – which may help to boost dividends to shareholders
- maximum capacity is higher – which is useful given the objective of growth
- closer to customers' headquarters.

Arguments for Site B:
- lower start-up costs – leaving more of the £10m available for marketing – which could be critical after such a major strategic change
- lower fixed costs
- break-even point is lower
- shorter payback period
- higher ARR
- more unemployed locally – skills from car manufacturing may be transferrable.

Accept other relevant arguments.

Evaluation:

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on which is the better location for the business, given its objectives of maximising growth and boosting dividends.

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. Q2 · A Level Paper 1 · June 2018 · 1 mark · 3.7.1

< MARK SCHEME

SWOT analysis is a central concept and most students got the answer right.

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

3. Q11 · A Level Paper 1 · June 2022 · 1 mark · 3.7.1

< MARK SCHEME

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

Questions 14 and 11 also provided a significant challenge to students. In Q14, although, 'strategy' is a central theme of the specification, students often lacked the precise understanding required to answer this question. For Q11 (on SWOT analysis), it was a lack of understanding of infrastructure (Section 3.7.4) that caused the problem.

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

6. Q4 · A Level Paper 3 · June 2024 · 16 marks · 3.7.1

< MARK SCHEME

The value of SWOT analysis has been assessed several times during the life of this specification and this occasion elicited some good responses. Students tended to show a good understanding of the concept and could use aspects of the SWOT provided to build arguments supporting the usefulness of SWOT. The best responses clearly linked this to usefulness in helping Sanjay's strategic planning. Students found it far harder to build counter-arguments, and where these were presented they often lacked context.

As mentioned earlier in this report, this question illustrates the importance of addressing the whole question. Responses that did not explicitly address the 'helps strategic planning' aspect of the question usually did not move out of level 2 on the mark scheme. Recognising that some questions tell students where to end their arguments is an important skill for students looking to achieve top marks.

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

7. Q6 · A Level Paper 3 · June 2019 · 24 marks · 3.7.1

< MARK SCHEME

A number of students showed evidence of time pressure on this question – often the result of writing overly long responses to Questions 1 and 2. Most, however, had enough time to try to tackle this question. Unfortunately, significant numbers of students wrote descriptively about the benefits and drawbacks of SWOT analysis, sometimes using examples from DWS Ltd and sometimes using examples from other real businesses. The most effective answers needed students to address the whole question – clearly trying to evaluate the technique's usefulness in the process of strategic planning. This is exactly the context in which SWOT appears on the specification, as part of the 'year 2 strategic planning and implementation narrative that runs through units 7-10. Those who viewed SWOT as such almost invariably produced a very effective response to the question. On 'all business' questions like this, a response that is simply illustrated by context from one business (perhaps the business in the case study) is still likely to be able to access all but the very highest level of response on the mark scheme – the key to success, as always, is to try to actually answer the whole of the question set – not simply focus on one aspect of it.

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

9. Q7 · A Level Paper 1 · June 2018 · 1 mark · 3.7.2

< MARK SCHEME

The current and gearing ratios are important and frequently-used business concepts. However, only 35% of students were able to recognise that the information given meant a low current ratio and low gearing. Most students were aware that the current ratio was low, but a significant proportion of students were unable to work out that if 90% of capital was provided by shareholders then this meant low gearing (low borrowing).

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

12. Q1.1 · A Level Paper 2 · June 2018 · 2 marks · 3.7.2

< MARK SCHEME

This was a fairly straightforward question where students either knew the definition or they didn't. Good responses had a clear understanding and used technical language well with an example to support. Many students only achieved 1 mark due to either an imprecise definition, failing to recognise "long term" aspect or due to an incorrect or no example given, despite the question specifically asking for one. A significant minority were either confused between current and non-current assets or gave a definition for liabilities.

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

13. Q16 · A Level Paper 1 · June 2022 · 2 marks · 3.7.2 < MARK SCHEME

Only a quarter of students were able to calculate inventory turnover from the data provided, with almost half earning zero marks. Some students did not know how to express the answer in units, giving answers such as '£6.25m' or '6.25%'. A significant minority of students calculated the answer in days – a valid approach to this question.

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

14. Q17 · A Level Paper 1 · June 2022 · 3 marks · 3.7.2 < MARK SCHEME

In contrast, payables days were correctly calculated by more than half the entry, with many other students earning marks from a correct element or elements of the calculation.

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

15. Q18 · A Level Paper 1 · June 2022 · 3 marks · 3.7.2 < MARK SCHEME

The current ratio calculation proved to be challenging. Almost half of the students earned only 1 mark for a correct formula, with no valid calculation. One in six students were able to recognise the current assets and current liabilities in the table and thus provide a correct calculation.

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

16. Q17 · A Level Paper 1 · June 2019 · 4 marks · 3.7.2 < MARK SCHEME

The formula for gearing was known widely amongst the student cohort. However, students were not always able to recognise the right numbers to use in the formula. Many students recognised that the change would lead to a £100,000 increase in non-current liabilities but then failed to recognise that capital employed would also increase by £100,000. Students who used the data to calculate the original capital employed tended to be most successful in achieving full marks on this question.

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

18. Q1.2 · A Level Paper 2 · June 2023 · 4 marks · 3.7.2 < MARK SCHEME

This question proved a challenge for many students; the majority could provide a formula, but it was evident that some did not know the formula for ROCE which prevented progress. The main hurdle for most seemed to be an inability to link gearing with capital employed to determine the information for the required calculation. There were many correct answers that did demonstrate clear understanding and strong numerical competence.

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

19. Q1.1 · A Level Paper 2 · June 2024 · 4 marks · 3.7.2 < MARK SCHEME

This question was very accessible with the data clearly laid out in Appendix A. Most of the students were able to gain at least one mark on this question by correctly selecting the payables. A common mistake was to select revenue for the bottom of the formula instead of cost of sales. Some students struggled to calculate cost of sales from gross profit and revenue, which led to marks being dropped. Good knowledge of the formula was a definite benefit.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

20. Q16 · A Level Paper 1 · June 2025 · 4 marks · 3.7.2 < MARK SCHEME

40% of the cohort achieved the maximum mark. Most students were able to show an understanding of the current ratio. In general, students were able to identify the current liability figure. The main discrimination arose because many students were unable to identify all of the relevant current assets. A common error was for students to use the net current assets figure in their calculations instead of adding the different current assets together.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

21. Q17 · A Level Paper 1 · June 2025 · 4 marks · 3.7.2 < MARK SCHEME

Q17 · A Level Paper 1 · June 2025 (continued)

Marks were more polarised on this question. The main challenge appeared to be the need to carry out a reverse calculation. It was pleasing to see that most students knew the formula for Return On Capital Employed (%) and 45% were able to translate this into a correct calculation of the operating profit. Quite a few students earned marks by successfully calculating the capital employed but were then unable to take their answer further. Overall, it was a lack of mathematical skills rather than recognition of a formula that discriminated on this question.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

22. Q1.2 · A Level Paper 2 · June 2025 · 4 marks · 3.7.2 < MARK SCHEME

This question was quite variable in its responses but noticeably very few students achieved level 3 as they were unable to give a good context as to why this fall in inventory turnover should have occurred.

Most understand that inventory turnover had fallen and gave a possible reason as being falling sales, gaining Knowledge and Understanding (A01) marks easily.

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

23. Q1.1 · A Level Paper 2 · November 2020 · 6 marks · 3.7.2 < MARK SCHEME

the current ratio was particularly well done but the gearing ratio less well. Students also need to pay attention to the the format of their answers: the current ratio is presented as a ratio or just the figure, gearing though is a percentage.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

24. Q2.2 · A Level Paper 2 · June 2023 · 6 marks · 3.7.2 < MARK SCHEME

This question was generally answered quite poorly. Many students were unable to reference sections of the balance sheet or balance sheet terminology with their response often talking about costs and/or profits.

Most of the students that achieved level 3, were able to demonstrate knowledge and understanding of specific sections of the balance sheet, with the impact on non-current assets and non-current liabilities being commonly referred to through the sale of property.

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

25. Q1.3 · A Level Paper 2 · June 2018 · 9 marks · 3.7.2 < MARK SCHEME

A large number of students did well and scored highly on this question. Those that knew the correct formulae were able to access the data easily and perform the correct processes without error. However, even some students who performed relatively well often failed to provide their answers to two decimal places as required.

A key lesson gained from this, as has been apparent in previous exams, is that students who stated formulae and laid out their working clearly were able to secure process marks even if mistakes were made. Common mistakes here were failing to calculate ROCE as a percentage or expressing the current ratio backwards.

With three ratios to calculate not many students scored zero. Most students understood at least one if not two of the calculations required; the least well answered was Gearing. It was disappointing to see the odd few scripts with No Response for this section.

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

26. Q19 · A Level Paper 1 · November 2020 · 9 marks · 3.7.2 < MARK SCHEME

Most students understood the topics covered by this question and were able to use the data provided to analyse the impact of the changes on the cash levels of the company. Overall, there was a slightly better understanding of receivables days than payables days. The best responses compared the overall changes as a part fo their analysis.

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

27. Q2 · A Level Paper 3 · June 2017 · 12 marks · 3.7.2 < MARK SCHEME

Many students showed the ability to address the demands of this question fully, scoring well by calculating two appropriate financial ratios, then using the results to analyse the potential difficulties of raising finance. However, a worrying number of students were unable to calculate any relevant ratios listed on the specification. A further concern arose from those who showed no

understanding of the results that their calculations had generated. The Own Figure Rule was applied to credit arguments that logically flowed from incorrectly calculated ratios.

Q2 · A Level Paper 3 · June 2017 (continued)

Source: AQA Report on the Examination, A Level Business 7132/3, June 2017.

28. Q21 · A Level Paper 1 · June 2024 · 25 marks · 3.7.2 < MARK SCHEME

This was the least popular and the most challenging essay question. In part, its lack of popularity was due to the accessibility of the alternative essay choice (Q22). The average mark was lower than for the other three essays, although this might have been a reflection of the students who chose to answer this question. Students understood the concept of non-profit organisations and most argued that financial ratios were not the best way to measure success. However, the commentary on alternative methods was often vague or uncertain. Discussions on financial ratios tended to be generic and, where specific ratios were selected, the analysis of their role often lacked clarity. Better responses tended to utilise concepts such as Elkington's Triple Bottom Line or Kaplan & Norton's Balanced Scorecard. Where these ideas were

integrated into the essay, some excellent arguments were presented. Consequently, the chances of a

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

29. Q8 · A Level Paper 1 · November 2020 · 1 mark · 3.7.3 < MARK SCHEME

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

Q7 & Q8– Most students showed a good understanding of Greiner's stages of growth and Kaplan & Norton's balanced scorecard- in answering these questions.

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

32. Q4 · A Level Paper 3 · November 2020 · 16 marks · 3.7.3 < MARK SCHEME

As with question 3, the best responses recognised the importance of the context when addressing this question. With a clear indication that Sunport used the Balanced Scorecard as a measure of success, there are arguments on both sides of the question, whilst the ability to form a contextualbased judgement was readily available. The best responses did this, whilst weaker responses tended simply to describe the data provided in Appendix D and make discreet judgements on each piece of data.

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

33. Q1.4 · A Level Paper 2 · June 2023 · 16 marks · 3.7.3 < MARK SCHEME

This question demonstrated a mixture of responses with many students being able to produce a well-developed, detailed and balanced response that enabled them to reach a reasoned conclusion (AO4). The better responses were able to link the data together in their arguments to show depth and detail in their chains of analysis. Data selection was important here and those students who either didn't plan or didn't think carefully enough about their use of data in relation to the question struggled. Many students failed to focus their response on whether or not an investor should invest instead just concentrating on arguments for and against. A key limiting factor here were those students who were only able to provide a one-sided argument.

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

34. Q2.4 · A Level Paper 2 · June 2023 · 16 marks · 3.7.3 < MARK SCHEME

Most students demonstrated correct knowledge of Triple Bottom Line (TBL) and could create a well-rounded response to demonstrate knowledge and analysis in how homeworking would impact elements of profit, planet or people. Good responses either judged how the aspect of TBL may have been affected by the rise of homeworking, both positive and negative, with the best answers considering how this might vary depending on the sector considered.

Common problems some students had with this question were not developing responses in relation to improving or not improving performance or just examining the pros and cons of homeworking and/or confusing the elements of profit, people and planet with aspects of the marketing mix. A few students were obviously unfamiliar with the model.

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

35. Q23 · A Level Paper 1 · June 2017 · 25 marks · 3.7.3 < MARK SCHEME

Q23 · A Level Paper 1 · June 2017 (continued)

Question 23 was chosen by fewer students but featured higher quality answers, on the whole. Students who selected it showed excellent knowledge and were able to develop some high quality arguments to demonstrate the impact of using this approach on a business's profits. Most students recognised the impact on costs, with many contrasting this with the benefits to brand image. Some even focused on how the Triple Bottom Line might lead to a long-term reduction in some costs. Less focused responses ignored the requirement of the question to consider the impact on the business.

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

36. Q23 · A Level Paper 1 · June 2019 · 25 marks · 3.7.3 < MARK SCHEME

Students who chose this essay generally did well and significantly more students reached the highest levels than for the alternative question (Question 24).

Broader measures of performance were understood by most, with students tending to use Elkington's theory to good effect. However, the most able students were often those who showed insight into Kaplan & Norton. Some students showed an excellent understanding of financial ratios and were able to use specific ratios to illustrate their importance. Disappointingly, there was a

tendency for responses to make generic statements about profitability and financial management without referring to specific ratios. Many students evaluated well by assessing why broader measures have grown more popular. It was also pleasing to witness the recognition that financial measures are an element oil in both Elkington's and Kaplan & Norton's models.

Students also linked their arguments through Carroll's CSR. More able students recognised that financial ratios focused on past performance, whilst Kaplan & Norton examined processes. Interestingly, the broader measures of performance were understood better than the more traditional financial ratios.

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

37. Q2.3 · A Level Paper 2 · June 2019 · 16 marks · 3.7.4 < MARK SCHEME

The core aspect of the question here was 'businesses', not just WeRide. This question differentiated well. Students with a broader appreciation of the impact of legislation were able to explain their points confidently and were rewarded by reaching the higher levels in the marking scheme. They were able to use examples of legal changes that have influenced business strategy, whether it be positive or negative. Effective responses showed balance, with arguments centred on how business would benefit in some circumstances and lose in others, fully developing the effect of legislation on certain products or sectors of industry to illustrate the level of effect that would result, such as sugar tax or environmental laws. Others balanced this against legislation that impacts on all business, such as the national minimum wage. These lines of argument gave a really good vehicle for judgement in the conclusion.

However, a common approach was to base a response solely on WeRide and how the laws relating to pollution and restriction on licences had impacted on them (threat) but had created an opportunity for a new venture (Electric Bicycles). However, this narrow approach restricted the mark and to access higher levels, context of wider business was required. Also, there were students who were too focused on explaining the advantages and disadvantages of SWOT and lost focus on the question as a whole.

It was interesting that many students concluded that legal changes create more threats than opportunities when their preceding arguments had given examples of businesses that quite clearly had benefitted.

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

38. Q3.3 · A Level Paper 2 · June 2024 · 16 marks · 3.7.4 < MARK SCHEME

Overall, this was a well answered question. Most students were able to achieve at least level 2 by referring to the issues faced by WWH Ltd. In the case study. The more developed answers that accessed higher marks were able to refer to wider contexts with many examples used to support.

The most common approach restricting students' progress was confusing legislation for ethics. The argument against often looked at the benefits of business' taking the environment into account at any time, ignoring the fact that the question was about legislation. Many answers suggested the firm could get a USP from following the legislation despite the fact that all other firms would be forced to act in a similar manner and instead discussed the benefits of CSR and Elkington's Triple Bottom Line.

Few students developed a clear judgement with most just making a statement that they agreed that not all businesses are damaged by the legislation.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

39. Q5 · A Level Paper 3 · June 2025 · 20 marks · 3.7.4 < MARK SCHEME

General feedback

As the concept of a 'threat' is an aspect of SWOT analysis, students were expected to limit their responses to consideration of external factors. This proved to be highly accessible with most students able to analyse the threat carried by legislation. Plenty of other external issues were identified by students who recognised that to address the demands of the question, an alternative biggest threat needed to be considered. A few students were able to recognise that many of the external issues were inter-connected and were credited for this.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2025.

41. Q6 · A Level Paper 1 · June 2018 · 1 mark · 3.7.5 < MARK SCHEME

This proved a relatively challenging question. Over 40% of students got the correct answer – a fall in costs and a fall in the exchange rate. 35% of students recognised that costs were likely to fall but believed exchange rates would rise. As expected, students were much more able to recognise the impact on costs than the impact on exchange rates.

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

42. Q9 · A Level Paper 1 · June 2019 · 1 mark · 3.7.5 < MARK SCHEME

This tested the external environment, focusing on economic change. Although the correct answer was the most popular choice, the answers revealed that there were a significant number of students who could not identify whether government subsidies were an example of fiscal policy or monetary policy.

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

43. Q6 · A Level Paper 1 · June 2023 · 1 mark · 3.7.5 < MARK SCHEME

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

Question 2 proved to be significantly the most challenging question, mainly because students did not recognise the link between unit costs and added value. Not surprisingly, question 4 also proved to be challenging. This was based on a core topic – break-even – but required students to look at the graph in a different way than normal. Question 6, on economic policy, also presented a challenge, with just over one-third of the cohort answering it correctly.

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

44. Q12 · A Level Paper 1 · June 2024 · 1 mark · 3.7.5 < MARK SCHEME

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

The two most challenging questions were question 12 and question 7. Both of these questions were based on economic concepts - exchange rates and elasticity of demand. However, unlike previous years, all of the questions were correctly answered by at least one-third of the cohort of students.

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

46. Q3.4 · A Level Paper 2 · June 2022 · 4 marks · 3.7.5 < MARK SCHEME

This question presented a variety of students' performance. This question needed an explanation of impact on sales. Those that properly understood the concept of exchange rates performed well, explaining the change and linking it through to the impact on sales. Many used the SPICED or WPIDEC mnemonics to help though, in some cases, mixed up the letters to confuse their explanation.

The most common error was getting the mechanism entirely backwards and a misconception that the exchange rate impacted on the amount of sales revenue DT received, or impacted the cost to them of exporting.ie, their costs would rise as a result.

Some students lost focus on the question by explaining import changes as well – the business in the case used UK suppliers, which eliminated the impact of exchange rates on this.

This area of the specification has been poorly answered by students in previous series and centres could do more practise on exchange rate movements and the impact on a business.

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

47. Q2.2 · A Level Paper 2 · November 2020 · 5 marks · 3.7.5 < MARK SCHEME

Protectionism was generally well understood and relevant responses developed. A minority did, however, make suggestions that were clearly not in the remit of a marketing manager and some students presented purely theoretical responses with no reference to Nari's context.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

48. Q2.2 · A Level Paper 2 · June 2017 · 9 marks · 3.7.5 < MARK SCHEME

This question on the whole was answered well with students showing a good understanding of interest rates and how a rise in them could impact profit. There were a wide range of answers and it was good to see students coming up with different impacts. To get the highest marks there had to be focus on at least two impacts of higher interest rates specifically related to the car manufacturing industry and how they might cause lower revenues and/or higher costs and thus alter profits. Not all students brought these three elements into their answer but excellent responses used well developed arguments often relating to price or income elasticity.

Those who didn't respond well either gave a single effect rather than effects or didn't relate their answer back to profits. A significant number only developed one chain thus not focussing fully on the question asked. Some answers were quite theoretical and lacked context. A significant minority of students stated there would be 'lower demand so lower profit' without discussing why lower demand was likely or how it might to lead to lower revenue and then impact profit relying largely on assertion to make their point.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

50. Q20 · A Level Paper 1 · June 2024 · 9 marks · 3.7.5 < MARK SCHEME

This question seemed to discriminate well. Most students reached Level 2 by recognising the impact of higher interest rates on their costs. Most students incorporated the significance of high gearing into their responses. Attempts to integrate the high level of exporting into the answer met with mixed success. Students who recognised the correct impact on the exchange rate (an increase) tended to then achieve strong Level 3 responses. However, many answers to this aspect of the question demonstrated fundamental flaws in logic and received no credit. An alternative route to a high mark, taken by a number of students, was to analyse the impact of the rise in interest rates on consumer demand – in effect, focusing on the impact on the 40% of goods that were sold domestically.

Essays

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

51. Q19 · A Level Paper 1 · June 2025 · 9 marks · 3.7.5 < MARK SCHEME

This question proved to be the most demanding one on the paper, yielding a low average mark. A significant minority of students showed no understanding of fiscal policy and were thus unable to produce relevant responses. Fiscal policy was often confused with monetary policy and sometimes with legislation that might impact the medical market. There was also limited understanding on how different taxes might impact on this market. The better answers often showed good insight of the nature of the market, in terms of price and income elasticity of demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

52. Q2.3 · A Level Paper 2 · June 2018 · 16 marks · 3.7.5 < MARK SCHEME

Key aspects of the question here were the need to consider 'all businesses' not just Lego and whether they need to worry about 'Impact of exchange rates on profits'. This question differentiated well. Students with a sound understanding of exchange rates were able to confidently develop their points and were rewarded in the higher levels. Better responses showed balance with arguments centred on how in some circumstances business would benefit and in others suffer and fully developed the effect of exchange rates on areas such as imports and exports. Better responses often considered the significance of the price elasticity of demand in terms of the impact on exports and imports to illustrate the level of effect on profits that might result. Others considered businesses that operate domestically – often clarifying that these are becoming increasingly rare or will still be indirectly affected. These lines of argument gave a really good vehicle for overall judgements. A limited number of students successfully considered of exchange rate changes for a multinational when converting overseas earnings into a domestic currency.

However, limits in the understanding of the topic were evident in some responses. A number of weak responses were confused about the impact of exchange rate changes. Others made broad generalised points – such as movements in exchange rates might be good for some, without any detail of the actual impact of an appreciation or depreciation. A few students had little to offer outside of Lego and many students failed even to put in context of Lego, making responses descriptive. A common fault was the poor use of technical language by some students such writing 'cost' when they mean 'price' and not making it clear which currency was appreciating/depreciating. It was interesting that many students concluded that 'all' managers have to worry about the exchange rate when their preceding arguments had given examples of businesses that 'only deal with the domestic market which aren't affected by the exchange rate. Effective judgements need to build on prior analysis not contradict it.

Q2.3 · A Level Paper 2 · June 2018 (continued)

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

53. Q1.4 · A Level Paper 2 · June 2025 · 16 marks · 3.7.5 < MARK SCHEME

This question demonstrated a mixture of responses with many students being able to produce a well-developed and detailed response. The volume of data allowed students to form a balanced argument on threats versus opportunities. The better responses were able to link the data from different tables together in their arguments to show depth in their chains of analysis. The most effective responses were those that wrote a whole paragraph about threats and a whole paragraph about opportunities, setting themselves up for a strong evaluation. The best responses were thoughtful and selective as to which data best suited the arguments they were making, with effective conclusions seen both agreeing and disagreeing with the statement in the question.

Responses that tackled the question by looking through each of the factors in appendix E were often less effective. Some responses considered information from Appendix E only. Some students didn't provide balance; for example, some responses just focussed on threats. The reference to 'and the other information available' in the question was often overlooked or forgotten while writing about Appendix E.

This question did demonstrate some students' lack of understanding of external economic variables. A number of students also had inadequate understanding of the impact of changes in exchange rates. More surprisingly it was not uncommon to see UK GDP being described as falling when it is rising just at a slower rate. Most worrying was the unclear use of the rising unemployment data, with this being interpreted as less people being available for work.

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

54. Q5 · A Level Paper 3 · June 2017 · 20 marks · 3.7.5 < MARK SCHEME

Most students were able to find data from the case study to support their arguments. The very best responses supported their judgements by quantifying the changes in revenue and costs, clearly noting the far greater magnitude of the decline in revenue. Using the data as a way to weigh up two arguments provided to be an excellent way to gain top level marks and students should not be afraid of making a clear judgement that one factor is more important than another.

Less successful responses often failed to make a judgement, or struggled to justify any judgement made. As with question three, this was especially disappointing in those cases where excellent analysis had been produced.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2017.

55. Q23 · A Level Paper 1 · June 2018 · 25 marks · 3.7.5 < MARK SCHEME

Students who chose this essay generally did well. There were some excellent answers that showed a high level of understanding of the implications of protectionism. This question, more than any other, showed students referring well to the current business climate with many arguments relating to the USA and not Brexit. As with all the essays evaluation is the key discriminator with good responses weighing up the potential problems and benefits to firms' profits and the situations in which the impact might be significant or not. Strong responses often considered situations when it was more or less likely that profit would fall. There was some excellent use of price elasticity of demand in this respect. Statistically this question discriminated between stronger and weaker students well.

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

56. Q23 · A Level Paper 1 · June 2023 · 25 marks · 3.7.5 < MARK SCHEME

Stronger answers on this question were those prepared to challenge the statement in the question. The better responses provided a balanced argument, focusing on the benefits of emerging economies as a source of cheap materials or efficient workforces, enabling UK businesses to lower costs through offshoring or purchasing contracts. These arguments were then contrasted to the

possible benefits and issues involved in using emerging economies as markets. There was some excellent use of context, often based on Bowman's Clock or related theories.

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

59. Q2.1 · A Level Paper 2 · November 2020 · 3 marks · 3.7.6 < MARK SCHEME

Most students performed well here and had a good understanding of the relevant theory although many were unable to specify philanthropic and some minority had no familiarity at all.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

60. Q2.1 · A Level Paper 2 · June 2023 · 3 marks · 3.7.6 < MARK SCHEME

The majority of students were able to complete this successfully. A few students clearly didn't know how to carry out the percentage change having correctly calculated the number of people working at least partly from home and so achieved partial marks.

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

61. Q3.4 · A Level Paper 2 · June 2023 · 16 marks · 3.7.6 < MARK SCHEME

Overall, this question was answered relatively well with most students able to develop a for and against with a relevant judgment. Plenty of responses here fell into the higher levels, with students very confident when referring to models such as Carroll's CSR pyramid able to reference some detailed real examples of business practices to support their lines of reasoning, demonstrating wider context in order to develop the depth of their analysis. Better responses focussed on whether the statement was true or not. The best answers utilised the words in the statement to form their arguments or linked back to these as they developed to keep their argument wholly relevant. Strong responses gave a reasoned judgement regarding the circumstance in which the statement did and did not apply, ie, it is likely to depend on the business, its target market, the ownership, culture, mission statement and how publicly facing it is.

A few students did not address the 'all business' element of the question and a limited few based their response solely on the case study. Some students just provided general arguments about ethics and CSR and it was sometimes hard to see a genuine argument that linked to the question asked.

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

62. Q6 · A Level Paper 3 · November 2020 · 24 marks · 3.7.6 < MARK SCHEME

A question that almost all students found highly accessible once again offered the opportunity to build good responses when students maintained a focus on the question. Exploring scenarios in which commitment to Corporate Social Responsibility will and will not decrease profit should have formed the bulk of responses. However, many students tried to introduce scenarios where a failure to commit to CSR led to a decrease in profit – which is not addressing the question set. The very best answers even managed to show an understanding of the fine difference between ethical decision-making and commitment to CSR. Again, at the top end, judgements were made that addressed the 'all business' aspects of the question by drawing on prior analysis to show in what contexts profits would or would not be decreased.

Concluding Remarks

The demands of the paper, expectations from students and type and range of questions asked were entirely comparable with those of previous series. This paper proved to be accessible for students on all questions. Students were able to respond well across all of the paper and most used the stimulus material appropriately in their responses. Issues of timing were not apparent. Perhaps more apparent in this series than previous were gaps in knowledge/understanding as evidenced by either no response answers or very low to zero marks awarded, notably on questions 1,2 and 5.

There were some very well considered and developed responses, but many students who did possess the base knowledge lost marks through either providing very generic answers which did not consider the context in the case study. A final common weakness for some occurred in responses to questions 3-6 failing to recognise the importance and weight of an in-depth conclusion/judgement that has its foundations in the analysis provided. Too many students still approach this key AO4 skill by offering a simple limited statement instead of looking to weigh up their arguments as a means of justifying their judgement.

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

63. Q24 · A Level Paper 1 · June 2018 · 25 marks · 3.7.6 < MARK SCHEME

There was a high level of uncertainty in the responses to this question. Demographic factors were not understood by some students and many students included some factors that were not demographic. However, where it was understood there was some very good analysis and evaluation of the impact of demographic factors relative to economic ones. The analysis of economic factors was very good, mostly focusing on interest rates and levels of income. However, a significant minority identified economic factors as internal financial data.

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

64. Q9 · A Level Paper 1 · June 2018 · 1 mark · 3.7.7 < MARK SCHEME

This was an accessible question on Porter's five forces, with a high proportion of students giving the correct response.

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

65. Q15 · A Level Paper 1 · June 2019 · 1 mark · 3.7.7 < MARK SCHEME

Students showed a very good understanding of barriers to entry in this question, which was the second most accessible question in Section A.

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

66. Q1.4 · A Level Paper 2 · June 2019 · 9 marks · 3.7.7 < MARK SCHEME

This particular question proved highly accessible. A common approach was to begin with market share figure/s from Question 1.3, giving context and linking this to likelihood of threat of entry. Generally, students found this question very accessible with the key discriminator of how/why the market shares affected the threat of entry. Effective responses focused on ability of the big four to strike deals with suppliers that new entrants could not meet, hence keeping unit costs down and experiencing economies of scale. Aggressive price competitiveness was a popular option, as was the effect of brand loyalty on deterring new entrants.

Less effective responses often lacked any reference to the size and market power of the big four and considered generic factors causing barriers to entry, rather than the question of how this market power impacted on the level of threat.

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

67. Q4 · A Level Paper 3 · June 2017 · 16 marks · 3.7.7 < MARK SCHEME

The structure provided by this question helped to prevent students wandering too far from the demands of the question. Better responses showed both a clear understanding of the two forces examined a clear understanding of the context faced by KMH. Some excellent responses were able to contrast the likely impact of each force on KMH, weighing up the likelihood of each being a negative influence implied by the case study. Again the key was the supported judgement on which force had the greater impact. Weaker responses tended to misunderstand the power of buyers and/or make limited judgements which did not answer the question.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2017.

71. Q9 · A Level Paper 1 · November 2020 · 1 mark · 3.7.8 < MARK SCHEME

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

Q9 –Students found this Average Rate of Return (ARR) question challenging. The most popular answer indicated that students did not calculate the ARR as an annual %. However, there were also many students who failed to include the initial cost in the calculation of the overall net return. Only about 20% of the candidates gave the correct answer.

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

73. Q16 · A Level Paper 1 · June 2017 · 3 marks · 3.7.8 < MARK SCHEME

From a comment covering more than one question. The comment may mention other questions too.

The two investment appraisal questions (16 & 17) revealed the importance of fully understanding concepts from the specification. It was evident that many students knew how to construct an investment appraisal calculation but were less certain of what the calculation showed e.g. whether the technique they were using was payback or NPV. Many students identified the discount data in Figure 4 and attempted to use the data to calculate payback. A number of students confused the two methods of investment appraisal and thus answered the wrong question. Overall performance was similar between the two questions. For question 16 a common error was students believing payback occurred after 3 years (rather than during the 3rd year). For question 17 it appeared that some students might not have had a calculator.

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

74. Q17 · A Level Paper 1 · June 2017 · 4 marks · 3.7.8 < MARK SCHEME

From a comment covering more than one question. The comment may mention other questions too.

The two investment appraisal questions (16 & 17) revealed the importance of fully understanding concepts from the specification. It was evident that many students knew how to construct an investment appraisal calculation but were less certain of what the calculation showed e.g. whether the technique they were using was payback or NPV. Many students identified the discount data in Figure 4 and attempted to use the data to calculate payback. A number of students confused the two methods of investment appraisal and thus answered the wrong question. Overall performance was similar between the two questions. For question 16 a common error was students believing payback occurred after 3 years (rather than during the 3rd year). For question 17 it appeared that some students might not have had a calculator.

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

75. Q1.2 · A Level Paper 2 · November 2020 · 4 marks · 3.7.8 < MARK SCHEME

most students were able to demonstrate knowledge of sensitivity analysis and perhaps describe/point out the relevant data. However, the question asked was why it had been used specifically for the investment proposal and very few students responded to this demand of the question.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

76. Q1.1 · A Level Paper 2 · June 2023 · 4 marks · 3.7.8 < MARK SCHEME

Overall, there seemed to be a good basic understanding of NPV. The correct methodology was demonstrated by the majority of students. Many could calculate at least two accurate NPV calculations from the cash flow, using the discount factors, but could not follow through to the final calculation. Key errors were ignoring the negative cashflows or adding in the investment cost. A common mistake was not expressing the final answer in £s. .

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

77. Q17 · A Level Paper 1 · June 2024 · 4 marks · 3.7.8 < MARK SCHEME

The vast majority of students were able to calculate the NPV for the two years. However, some students did not include the initial cost in their calculation. Of more concern was the tendency for students to deduct the NPV for years 1 and 2 from the initial cost, rather than the other way round. The more able students were able to recognise that the final NPV was negative.

All three of the 9-mark questions yielded similar results, with a mean in the region of half marks for each question. However, the standard deviation for Q18 was much lower, with fewer students reaching Level 3, but a significant majority able to reach Level 2.

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

78. Q4 · A Level Paper 3 · June 2019 · 16 marks · 3.7.8 < MARK SCHEME

There was an unexpected lack of knowledge evident in students' answers to this question. With only a minority of students able to calculate the payback and ARR successfully, it is clear that understanding of these two investment appraisal methods was a real issue among this year's cohort. This uncertainty about investment appraisal calculations is something that should be considered by centres. The students that were able to perform both calculations required by the question correctly and use the outcomes and other information from the case scored very well on this question. The most effective answers were able to provide correct calculations, suggest both offered encouraging results and also bring in other information to their answers – such as Mike's personal commitment to CSR, or the ill-advised nature of what may have been considered a project that distracted from the bigger strategic issues facing the business.

It is worth noting that workings done on the insert to the paper are not available to examiners looking to use OFR to credit valid arguments. Students should be advised to produce their workings in the answer booklet as miscalculations that show evidence of some valid understanding of the method will be credited where possible.

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

79. Q1.4 · A Level Paper 2 · November 2020 · 16 marks · 3.7.8 < MARK SCHEME

This question required students to recommend and justify whether Drake should go ahead with the investment. All too often students gave reasons for and reasons against, sometimes doing little more than describing pieces of data, and then just saying I recommend. Justify requires the response to say why the recommendation that is made is the right move. Better abled students made good use of their earlier calculations, link aspects of the data together to build strong arguments and counter arguments and make a judgement on the relative weight to make a justified recommendation.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.