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**AS**  
**BUSINESS**  
**7131/2**

**Paper 2 Business 2**

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**Mark scheme**

**June 2023**

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**Version: 1.0 Final**



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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## Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

## Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a good response? A reasonable one? A limited one? Refer back to the standardisation scripts and guidance to help you benchmark.
- Remember that you are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response ‘well-argued but does not focus fully on the issue of ‘long term’ feels as if it might be a good rather than an excellent response’. Make sure the comments fit with the level awarded: for example, ‘unbalanced and not comparing with alternative solutions’ does not sound as if it is ‘good’.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

K U	Knowledge and understanding
EXP	Explained but not in context (for Paper 1)
AN	Analytical but lacks context
D	Developed argument (with context)
J	Judgement with support
F	Focus on the demands of the question
Bal	Balanced response, eg both sides acknowledged
Rng	Range of arguments, eg two arguments presented
L1	L1
L2	L2
L3	L3
L4	L4
L5	L5
BOD	Benefit of the doubt
NAQ	Not answering the question
OFR	Own Figure Rule
SEEN	Seen
<input checked="" type="checkbox"/>	TICK
<input checked="" type="checkbox"/>	CROSS
<input type="checkbox"/>	Txt Box
?	Uncertain
Highlighter	Highlighter
[REP]	Repetition
Off Page Comment	Off Page Comment
On Page Comment	On Page Comment

0 | 1

**Figure 1:** Global balloon market values

2020	2021	2022
\$227 million	\$260 million	\$287 million

The UK balloon market accounted for 25% of the global market in 2020 and 30% of the global market in 2022.

Using **Figure 1**, calculate the percentage increase in the size of the UK balloon market between 2020 and 2022.

Give your answer to **two** decimal places.

**[3 marks]**

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

**3 marks** for correct answer 51.72%.

**3 marks** for rounded answer of 51.80% if student has used rounded figure of \$29.4 for the difference calculation.

**2 marks** for 52%.

**2 marks** if calculates both correct % amount for each year; 2020 = \$56.75, 2022 = \$86.10.

**1 mark** if calculates global market % difference as 26.43% (% not needed but must be to 2 decimal places)

ORF applies

0 | 2

**Figure 2:** BB financial data for 3000 units

3000 units sold	
Total revenue	£105 000
Total fixed costs	£5 700
Total variable costs	£17 250

Using **Figure 2**, calculate the total contribution if BB only sells **1000 units**.

[3 marks]

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

**3 marks** for correct answer £29 250 total contribution. £ not needed.

**2 marks** correctly selects and uses figures but an arithmetical error.

**2 marks** if calculated contribution per unit to be £29.25.

**2 marks** if calculated correct variable costs and revenue, uses the figures to subtract, but makes arithmetical error

**1 mark** if calculates one of the following:

variable/direct costs has been calculated to £5.75 per unit, or £5750 total variable/direct costs selling price per unit to be £35, or £35,000 as total revenue

**1 mark** if correct formula, but no other valid calculations.

Correct answer: £29 250 total contribution.

**Formulas that may be used:**

contribution per unit × number of units sold

or

$$\frac{\text{fixed costs}}{\text{contribution per unit (selling price – variable cost per unit)}}$$

or

$$\text{TR} – \text{TVC}$$

$$\frac{\text{£105 000}}{3 000} = \text{£35 selling price per unit}$$

$$\frac{\text{£17 250}}{3 000} = \text{£5.75 variable cost per unit}$$

$$\text{£35} – 5.75 = \text{£29.25 Contribution per unit}$$

$$\text{£29.25} \times 1 000 \text{ units} = \text{£29 250}$$

<b>0   3</b>	The price elasticity of demand for BB's products is $-0.5$ .
	Explain <b>one</b> benefit to BB of operating in the market with this price elasticity of demand value.
	<b>[4 marks]</b>

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

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

**The demands of the question focus on:**

- an explanation of one benefit to BB of operating in the market with an inelastic price elasticity of demand value.

**Indicative content may include:**

The market BB operate in is growing quickly with more competitors for it to compete with. A benefit of having price inelastic demand is:

- BB has price inelastic demand so consumers aren't as responsive to price changes if they are brand loyal
- this means BB has a competitive edge because it can increase price and not lose as many customers/quantity demanded doesn't fall as much
- the possible effect on its pricing – BB could increase its prices and make profit
- linking in BB's higher costs, eg wage per hour and high-quality materials, meaning it can absorb these costs, maintaining its profit margin by increasing the price
- less need for BB to find more USPs to stay competitive.

<b>0</b>	<b>4</b>	Analyse the impact on BB if it decides to outsource the catering function of the business.	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

Level	The candidate will typically demonstrate	Marks
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The demands of the question focus on:**

- analysing the impact on BB if it decides to outsource the catering function

**Indicative content may include:**

- outsourcing is paying another business to make products, or parts of products for your business
- a benefit could be saving time which means that BB could use this saved time to train staff and focus on its core business of making balloon displays
- this could save the costs of getting in new equipment needed to make the additional food product and would reduce the need for storage and reduces storage costs. This in turn would reduce the pressure on capacity
- this could lead to further good reviews and reduce the negative reviews BB has recently received
- BB can focus on the many other things it needs to make decisions on, it can focus on its core business of making and selling balloons
- BB has had negative reviews of some of its food orders so it could be a good decision to let a business who has experience of doing it well to take over
- outsourcing runs the risk of further quality issues as BB may experience loss of control of the process. Additionally, would this suit Zoe and her style of managing the business?
- the possible link to the need for the new factory

- it could possibly make the cash flow problems worse, depending on the payment terms to the outsourcing company.

<b>0</b>	<b>5</b>	Analys the impact on BB's financial performance if it decides to take the contract with the hotel.	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

Level	The candidate will typically demonstrate	Marks
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The demands of the question focus on:**

- analysing the impact on the financial performance of BB if it takes the contract with the hotel.

**Indicative content may include:**

- regular income for a sustained period of time, lots of change could happen within the market over this period so a regular contract would provide financial stability and would cover the fixed costs, it could lead to further contracts if done well and it ties BB into a longer-term contract
- the contract could impact the breakeven point and lower this
- the contract focuses on the core business of making balloons which BB is good at, therefore, BB is not risking financial investment into other things
- price agreed is fixed but a competitive rate, this is a steady and reliable income stream for BB
- opportunity cost of BB's time; could BB be making more profit by doing more one-off sales?
- it is unclear what may happen in the future for example; supplies/materials may increase in price. This could have a negative financial impact as BB will be tied in to a fixed price with the hotel.

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

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

**[16 marks]**

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

Level	The candidate will typically demonstrate	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	5–8
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	1–4

**The demands of the question focus on:**

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

**Indicative content may include:**

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

0	7	BB needs to raise finance to fund the new warehouse.  Do you think using a bank loan or venture capital would be the better option? Justify your answer.	[16 marks]
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**Marks for this question: AO1 = 4, AO2 = 4, AO3 = 4, AO4 = 4**

Level	The candidate will typically demonstrate	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	5–8
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	1–4

**The demands of the question focus on:**

- an analysis of each option
- a judgement on which method of raising finance is the better option for BB.

**Indicative content may include:**

Venture Capitalist option:

- is 30% too much for BB to exchange for the finance that is needed? Zoe has built the business from the start; can she give up full control and share decision making with a venture capitalist?
- the venture capitalist is 'hands on' and this could be an issue for Zoe who has always made the decisions for BB
- BB will be employing a new manager in the future, could this be too many leaders/managers for BB if it accepts the venture capitalist offer?
- benefits of the venture capitalist include the industry experience Jack has and what this could add to BB. He also has marketing experience which could prove useful if BB enters new markets in the future
- BB has done well so far and have been successful in their market – does BB need guidance and support to be successful? Or to buy the warehouse?
- it depends on what BB is ultimately looking for from the finance needed. Does Zoe want the help and guidance or does she want to be independent in her decision making and running of the business?

Bank loan option:

- bank loan – the interest is an additional cost; the amount is fixed and repayable over a period of time; 10 years; is this too long?
- the repayments are less than the rent BB is paying, so BB will save money each month and as BB have cash flow issues, this could help BB's situation. Alternatively, it could be worse if BB don't have the cash to pay the repayment each month
- with a bank loan Zoe will retain full control of the business and decision-making opportunity cost implications of each choice.

<b>0   8</b>	<p>‘For <b>all</b> businesses, external factors are more important than internal factors when setting marketing objectives.’</p> <p>To what extent do you agree with this statement?</p>
	<b>[20 marks]</b>

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

Level	The candidate will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	<b>17–20</b>
4	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>13–16</b>
3	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>9–12</b>
2	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>5–8</b>

1	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul>	1–4
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**The demands of the question focus on:**

- analysing the importance of internal factors and their influence on marketing objectives of a business
- analysing the importance of external factors and their influence on marketing objectives of a business
- providing a judgement that focuses on one option being more important than the other, in terms of setting influencing marketing objectives
- answer focuses on businesses/industry generally not just BB.

**Indicative content may include:**

- changes in fashion/taste – how quickly do these change in the market that the business is in? Does this depend on the target market?
- is it a niche or mass market and how quickly do these markets change? Fashion for example changes at a very fast rate especially fast fashion
- how competitive is the market and how effective is marketing to the product? For example, is the product/service being sold reliant on marketing or is it something that consumers make choices on depending on price, place etc
- economic issues for example; unemployment, interest rates, tax – how do these issues effect the business?
- internal factors that may be considered; objectives of the business as a whole, for example corporate objectives
- objectives of the different departments for example; finance, HR and operations and their influence on marketing objectives
- internal financial pressures/constraints – is there enough money to make marketing decisions, create strategies, increase the marketing budget as examples?
- ultimately depends on what the marketing strategy of the business is when setting the objectives; for example, a business wanting to increase market share in an existing market may believe that internal pressures are the biggest impact but for a business wanting to re-position itself in a market, external factors are the biggest impact on their marketing objectives
- it could be argued that almost all marketing objectives will require finance and therefore the biggest impact is likely to be internal factors such as how much finance can be raised and be available for the marketing objectives.

Other valid ideas may be credited.