
A-level BUSINESS 7132/1

PAPER 1 BUSINESS

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

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.

Further copies of this mark scheme are available from aqa.org.uk.

Copyright information

AQA retains the copyright on all its publications. However, registered schools/colleges for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2020 AQA and its licensors. All rights reserved.

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. 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 good rather than excellent. Make sure the comments fit with the level awarded: '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.

ANNOTATIONS FOR MARK SCHEMES

K U	Knowledge and Understanding
AN	Analytical but lacks context
ARG	Argument
DEV	Developed argument
J	Judgement with support
NFF	Not Fully Focussed on the demands of the question
Bal	Balanced response, eg both sides acknowledged
Rng	Range of arguments, eg two arguments presented
BOD	Benefit of the Doubt
NAQ	Not answering the question
OFR	Own Figure Rule
SEEN	Seen
<input checked="" type="checkbox"/> <input type="checkbox"/>	TICK
<input checked="" type="checkbox"/> <input type="checkbox"/>	CROSS
<input type="checkbox"/> <input type="checkbox"/>	Txt Box
?	Unclear
Highlighter	Highlighter
[REP]	Repetition

The following should be used at the end of the response:

L1	L1
L2	L2
L3	L3
L4	L4
L5	L5

Section A**Objective Test Answers****Total for this section: 15 marks**

Question number	Answer
1	A
2	D
3	D
4	B
5	C
6	B
7	B
8	B
9	D
10	D
11	C
12	A
13	D
14	C
15	A

Section B

1	6	Calculate the profit variance and state whether it is adverse or favourable.	[4 marks]
----------	----------	--	------------------

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

Answer = £11 million - Adverse (4 marks)

Accept –£11m or (£11m) **(4 marks)**

£11m or £11m - favourable **(3 marks)**

Broken down as follows:

Actual income = $80 \times 0.95 = 76$ **(1 mark)**

Actual expenditure = $70 \times 1.1 = 77$ **(1 mark)**

Budgeted profit = $80 - 70 = 10$ AND Actual profit = $76 - 77 = -1$ **(1 mark)**

Budget variance = $-1 - 10 = \text{Adverse (or minus) } 11$, ie £11m **(1 mark)**

OR

Actual income = $80 \times 0.95 = 76$ Variance = Adverse 4 **(2 marks)**

Actual expenditure = $70 \times 1.1 = 77$ Variance = Adverse 7 **(1 mark)**

Overall variance = Adv 7 + Adv 4 = Adverse 11, ie £11m **(1 mark)**

Credit other relevant approaches. OFR applies.

1	7	Assuming that all output is sold, calculate the factory's employee costs as a percentage of turnover.	[4 marks]
----------	----------	---	------------------

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

Answer = 44.4% (4 marks)

Accept 44% or 44.44%

Employee costs per day = £60 x 16 = £960 (1 mark)

Daily output = 0.8 x 180 = 144 units (1 mark)

Turnover = Output x Selling price = 144 x £15 = £2 160 (1 mark)

Employee costs as a percentage of turnover = £960/£2 160 x 100 = 44.4% (1 mark)

OFR if output of 180 used

OFR answer = 35.6% (3 marks)

Accept 35.5% or 35.55%

Employee costs per day = £60 x 16 = £960 (1 mark)

Daily output = 180 units (No marks)

Turnover = Output x Selling price = 180 x £15 = £2 700 (1 mark) OFR

Employee costs as a percentage of turnover = £960/£2 700 x 100 = 35.6%% (1 mark) OFR

Credit other relevant approaches.

1	8	Analyse how employing a more diverse workforce might increase the profit of a 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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:

- to understand the meaning of diversity in the context of human resources
- to explain how greater diversity might increase profit by reducing costs and/or to explain how greater diversity might increase profit by increasing revenue.

Indicative content:

- analysing how diversity should increase the number of applicants to jobs and thus enable a business to employ a more skilled workforce, leading to higher labour productivity and greater levels of innovation
- analysing how diversity might improve morale and thus reduce inefficiency and costs relating to high labour turnover
- analysing how a more diverse workforce might enhance revenue through the quality of the finished product or better customer service
- analysing how greater diversity can lead to a greater willingness for employees to supply their labour and thus enable a business to pay lower wages as supply may exceed demand
- showing how a more diverse workforce might have a better understanding of the diverse needs of the customer base, enabling the business to widen its customer base.

Note: the indicative content above may well be presented in the context of a particular example of diversity, such as the benefits of employing more people from different backgrounds or having more female managers.

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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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.

2	0	Analyse the problems that might arise for a small business from the growth of digital technology.	[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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 on:

- examining how the growth of digital technology might cause problems for a small business.

Indicative content:

- the potentially high costs of digital technology may prevent small businesses from competing with larger businesses because they are likely to be using inferior technology
- larger businesses will be more able to use digital technology to reduce unit costs and gain a competitive advantage
- small businesses may find it difficult to update their digital technology as frequently as larger businesses and so customers might perceive their goods or services to be outdated or inferior
- larger businesses are more capable of using digital technology to improve their understanding of customer needs and will tend to have more specialist skills to attract new customers.
- smaller businesses may lack the resources and specialist skills needed to exploit techniques such as data mining and so they will be less able to understand customer wants and target customers with appropriate products and marketing
- a lack of finance may prevent smaller businesses from exploiting techniques such as enterprise resource planning (ERP).

Section C

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

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

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • 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 meaning of limited liability
- understanding its impact specifically on the owners/shareholders of a company
- analysing how the limiting of liability for owners might directly affect other stakeholders
- assessing the wider impact of limited liability on the financial strength of a business and its willingness to take risks
- evaluating the overall impact of limited liability on individual stakeholders and stakeholders as a group of interested parties.

Indicative content may include:

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

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

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

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

2	2	<p>'The growth stage is the most challenging stage of the product life cycle for a business when managing its human resource flow.'</p> <p>Do you agree? Justify your view.</p> <p style="text-align: right;">[25 marks]</p>
----------	----------	---

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

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • 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:

- recognising the key features of the product life cycle
- understanding the different elements of the human resource flow
- analysing how the growth stage of the product life cycle places different demands on human resources in the context of the HR flow
- evaluating the level of challenge involved in managing HR flow at other stages of the product life cycle and comparing this challenge to the challenge of managing HR flow during the growth stage.

Indicative content may include:

- the growth stage will cause challenges to recruitment because it is likely to require significant increases in numbers of employees (and exact numbers of employees needed may be less certain than in other stages)
- training will be a possible challenge, although this will depend on whether the product requires new skills or high skill levels
- in itself, growth should have little impact on redeployment, but if the product is replacing a declining product then it is likely to be a challenge
- redundancy is unlikely to be an issue during growth.

Evaluation

The challenges above should be contrasted with those occurring during one or more of the other stages of the product life cycle:

- the introduction stage of the life cycle is likely to be challenging for the HR flow through the need to recruit, induct and train new staff, unless the new product is replacing an existing product which required similar skills and staff numbers
- in maturity the challenges will be arguably less than the other stages, unless sales volume is quite volatile in this stage. Extension strategies may lead to a requirement for retraining and possibly some redeployment
- decline is likely to provide the greatest challenge as it will probably require redundancy, a facet of HR flow that can be more challenging than the other elements. To limit redundancy, there may be redeployment and thus more training.

(Students may present their arguments by focusing on the different elements of HR flow – recruitment, induction and training, redeployment and redundancy and then linking each of these elements to the different stages of the product life cycle. This approach is also acceptable).

Overall evaluation

Logically, the growth stage is likely to create the greatest challenge for recruitment and training but the decline stage is likely to be the most serious single challenge, with the possibility of major redundancies. However, decline may be less problematic if the maturity stage has generated sufficient profit to finance changes such as redundancy. Financially, introduction may present the greatest HR flow challenges because the business will need to acquire finance from other products or external sources.

The degree of challenge will also be influenced by other factors, such as:

- the actions of competitors
- the external environment
- the profitability of the product
- the level of skills required by the labour force and the existing skills levels of the employees and local labour force.

Section D

2	3	<p>'To achieve successful innovation, the level of spending on research and development is more important than the organisational culture of a business.'</p> <p>Do you agree? Justify your view.</p> <p style="text-align: right;">[25 marks]</p>
---	---	---

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

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • 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:

- considering the factors that influence the level of innovation in a business
- analysing how the level of spending on research and development might achieve successful innovation
- analysing how the culture of a business might achieve successful innovation
- evaluating the extent to which R&D spending is a more important influence than business culture.

Indicative content may include:

- analysing how R&D can influence innovation
- analysing how business culture can influence innovation
- analysing situations in which R&D is most likely to lead to successful innovation, such as NPD and opportunities to acquire patents
- analysing different business cultures and their impact on innovation – for example, task culture is more likely to lead to innovation than role culture; person culture may be more successful than power culture in generating innovation.

Evaluation

The extent to which R&D may be more influential than the business's culture depends on a variety of factors, including:

- the nature of the product
- the skills and resources available to the R&D team
- actions of competitors and the competitiveness of the market
- the pace of change in a market
- the nature of the business's workforce
- the type of culture of a particular business and whether it is supportive of innovation
- overall, R&D is risky and so expenditure on R&D is not a guarantee of effective R&D.

Evaluation might also recognise that innovation, R&D and culture may be interlinked; a business with a culture that supports innovation will be more likely to spend money on R&D. If a business needs innovation to succeed it is likely to adopt a suitable culture and organise R&D to meet this need.

2	4	A business is changing from a strategic position of low cost to one of differentiation.
		Will this lead to the business spending more on marketing and less on the operations function? 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	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> 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	<p>A weak response overall lacking focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • 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:

- understanding the features and implications of strategic positioning and a change from low cost to differentiation
- analysing how low cost positioning is likely to impact on levels of spending on the operations and marketing functions
- analysing how differentiation is likely to impact on levels of spending on the operations and marketing functions
- assessing the extent to which there will need to be changes to these two functions and the overall implications for spending
- evaluating whether it is inevitable that spending will need to be shifted from operations management to marketing.

Indicative content may include:

Analysing how low cost positioning might be achieved and the impact on relevant functional budgets. If low cost is achieved through:

- new methods of production then the operations spending will need to be high
- new low-cost sources of supply or distribution, then this will influence the operations management spending (although it should lower it)
- new technology then operations spending is likely to be high initially and require higher costs for maintenance
- improvements in labour productivity then there may be lower spending on operations.

BUT

- if it is achieved through economies of scale this might require more extensive spending on marketing in order to increase customer numbers
- if it is achieved through barriers to entry this might be based on high marketing expenditure to create USPs etc.

Changing to differentiation will affect the functional areas in different ways, depending on how it is achieved:

- new product development can involve higher operations spending if it arises from R&D or higher marketing spending if it arises from market research
- after-sales service may require more operations spending and more customer support and so both functions may be affected, depending on the nature of the product
- better quality products will have implications for operations, if the product needs improvement, but will require more marketing if 'quality' is based on better image and brand awareness
- better design can also emanate from operations or marketing
- advertising and promotion can be the key driving forces behind differentiation and are thus likely to require larger spending on marketing.

Evaluation

The quality of evaluation will be assessed according to the balance of arguments used by the student. On balance, low cost strategies are more likely to focus on operations management with a much lower requirement for marketing spending, except where it is necessary to ensure that customers are aware of the low costs. In contrast, differentiation is more likely to require heavier expenditure on marketing (although without necessarily cutting the operations budget). However, the impact is very much dependent on the ways in which the two positions are attained by the business. The balance of probability suggests a shift of resources from operations to marketing.