
A-LEVEL

Business Studies

7132/2 Paper 2 Business 2
Mark scheme

7132
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Version/Stage: 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 Assessment Writer.

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

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.

Definition of Annotations

Bal	Balanced response
BOD	Benefit of Doubt
Cross	Incorrect
D	Developed argument
EXP	Explained but not in context
F	Focus on the demands of the question
AN	Analytical but lack context
J	Judgement with support
K U	Knowledge and understanding
L1	Level of Response Indicator
L2	Level of Response Indicator
L3	Level of Response Indicator
L4	Level of Response Indicator
NAQ	Not Answering the Question
OFR	Own Figure Rule
Rng	Range of arguments
SEEN	Seen – but no mark
Tick	Correct point

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

Possible responses:

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

Credit other valid lines of explanation or examples.

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

Answers may include:

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

Credit other valid lines of argument.

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

$$= (\text{non-current liabilities} / [\text{total equity} + \text{non current liabilities}]) * 100$$

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

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 =

Current assets

Current liabilities

= 0.73 (or 0.73:1)

1723 million

2368 million

0	1	.	4	Using Appendix E , explain two potential benefits to Marks and Spencer plc of the diversity of its Board of Directors.
[6 marks]				

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides a good explanation of relevant factors using knowledge and understanding applied to the context.	5-6
2	A reasonable response overall that focuses on some of the demands of the question. Provides a reasonable explanation of relevant factors using knowledge and understanding with some application to context.	3-4
1	A limited response overall with little focus on the demands of the question. Demonstrate some knowledge and understanding and identifies relevant factors with little application to context.	1-2

Demands of the question focus on:

- explaining the benefits of diversity
- Marks and Spencer's Board of Directors.

Answers may include:

- benefit of different perspectives – able to challenge thinking and look at issues in different ways, eg because of understanding of different regions of the world. Important for business such as Marks and Spencer plc that operates in many different markets
- benefit of experiences and skills by trying to ensure all people have access to senior management levels, this may attract good staff and encourage them to stay because they know there are promotion possibilities
- benefit of different sector experience, eg e-commerce when this is a growth part of the business.

Approaches likely to be

Level 3: two benefits explained in context

Level 2: one benefit explained in context or two benefits explained with no context

Level 1: relevant benefits identified

Credit other valid lines of explanation.

0	1	.	5	<p><i>In April 2017 a rival business was considering taking over Marks and Spencer plc. How useful do you think the data provided in Appendices A to F might have been to this rival business when deciding whether to make a take-over bid? Justify your answer.</i></p> <p style="text-align: right;">[16 marks]</p>
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4 and AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<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. 	13–16 marks
3	<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. 	9–12
2	<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. 	5–8
1	<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. 	1–4

Demands of the question focus on:

- need to analyse potential usefulness or otherwise of specific data presented to takeover of Marks and Spencer
- need a supported judgement on extent of usefulness.

Answers may include:

- provides insight into financial position, eg may argue liquidity appeared to be relatively low, that gearing is less than 50% which might allow some future borrowing options. These ratios could be compared with historic figures and competitors. This may give some insight into the quality of management
- share price is relatively low historically and may mean the market capitalization of the business is lower (depends on number of shares); this may mean it is relatively cheap but although that in itself this does not mean it is a good buy
- data is useful in that it provides some insights, eg Marks and Spencer's has a large customer base, has growth in online business which may be promising for the future
- businesses will often have to use past data of competitors.

However the data is not useful in that it does not provide:

- forecast and projections or strategy for the future
- performance in other areas, eg employee engagement, customer satisfaction
- data has many limitations: there are some financial data but no context, eg what is strategy of Marks and Spencer how are your competitors doing?

The judgement should focus on how useful the data provided is.

Credit other valid lines of analysis and judgement.

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

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

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: <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 or relatively few issues in the question demonstrates analysis which is developed and is applied to the context. 	4-6
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: <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 focus on:

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

Possible responses:

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

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

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

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

Credit other valid lines of analysis.

0	2	.	2	<i>Analyse the actions managers at Lego might take to help ensure that its employees share the culture of the business.</i>	[9 marks]
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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 focus on:

- the actions that managers at Lego might take
- how these might impact on culture of employees.

Possible responses:

Answers may include

- it may ensure its recruitment and selection process attracts and identifies people with the right qualities; eg assesses creativity
- may demonstrate the culture by rewarding/praising those who demonstrate “Creativity, Imagination, Fun, Learning, Quality and Care”. Eg this is what might be measured and rewarded, equally may not reward those who do not show these qualities
- training may reinforce values and ensure understanding of mission statement
- funding may invest in those who have projects linked to core values, eg investing in new product development.

Level 3: Clear link between more than one action taken by managers and the impact of this on employees sharing the culture of Lego

Level 2: Clear link between one action taken by manager and the impact of this on employees sharing the culture of Lego or more than one action considered but link is not clear or not in context of Lego

Level 1: Understanding of culture and identifies action(s) that managers may take but weak link

Credit other valid lines of analysis.

0	2	.	3	<i>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?</i>
[16 marks]				

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

Level	The student will typically demonstrate:	Marks
4	<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. 	13 -16
3	<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. 	9-12
2	<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. 	5-8
1	<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. 	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	3	.	1	GA is considering cutting the price of its tickets. Explain how this might increase its operating profit margin on each ticket sold.	[5 marks]
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Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides a good explanation of relevant factors using knowledge and understanding applied to the context.	4-5
2	A reasonable response overall that focuses on some of the demands of the question. Provides a reasonable explanation of relevant factors using knowledge and understanding with some application to context.	2-3
1	A limited response overall with little focus on the demands of the question. Demonstrate some knowledge and understanding and identifies relevant factors with little application to context.	1

Demands of the question:

- explaining how a price cut on tickets can increase the operating profit margin on tickets. (Note it is operating profit margin not operating profit).

Answers may include:

- lower price may boost demand and sales. With more sales the fixed costs can be spread over more passengers. This reduces the unit cost
- with lower unit costs the operating profit margin (profit/sales revenue) might increase despite the lower price.

Level 3: clear logical link between lower price and impact on operating profit margin 5-4 marks

Level 2: some link between lower price or lower costs and operating profit margin 3-2 marks

Level 1: some understanding of effect of lower price 1 mark

Credit other valid lines of explanation.

0	3	.	2	<p><i>Lewin's force field analysis identifies driving and restraining forces. Analyse one driving force and one restraining force in Appendix G for the proposed change to the pay levels for cabin crew.</i></p> <p style="text-align: right;">[9 marks]</p>
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Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	<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 and is applied effectively to the context. 	7-9
2	<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 or relatively few issues in the question • demonstrates analysis which is developed and is applied to the context. 	4-6
1	<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 and with mainly descriptive application to the context. 	1-3

Demands of question focus on:

- analysis of one driving force for change
- analysis of one restraining force for change
- the context of the proposed pay deal for cabin crew.

Answers may include:

Driving forces:

- impact of the forecasted change in income on sales given the income elasticity; likely to lead to lower sales so may put greater pressure on need to cut costs. Demand is income elastic and income is expected to fall; this means the impact on sales is expected to be relatively great. Managers will be under pressure and may be able to show unions the need for cuts

Restraining force:

- membership of trade union has increased. Should give employees more bargaining power, eg if they have industrial dispute more employees likely to be involved. Employees have support and guidance of union so may be better organised and be able to put more pressure on managers.

Level 3: Clear link between one driving force and one restraining force and the proposed change to pay levels in context of GA

Level 2: Clear link between either one driving force and one restraining force and the proposed change to pay levels or driving and restraining forces considered but link is not clear or not in context of GA
 Level 1: Understanding of Lewin's force field analysis but no or weak link to the proposed pay levels

Credit other valid lines of analysis.

0	3	. 3	<i>To what extent do you think it is essential for an airline to undertake contingency planning?</i>	[16 marks]
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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: <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. 	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: <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. 	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: <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. 	5-8

1	<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. 	1-4
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Demands of the question focus on:

- an analysis of the value of contingency planning to an airline
- a consideration of the extent to which it is essential
- this requires a supported judgement and a balanced argument in context

Answers may include:

- may help reduce the costs of any negative occurrence in the future and help ensure revenues continue, eg in this case there is the danger of a strike and no passengers
- may help avoid negative publicity, eg if there were cancelled flights or an environmental disaster.

However

- need to consider the potential costs of planning (eg if initial investment in resources is required) and the opportunity cost
- it may be that some contingency planning is required especially in this industry which is high profile.

There are certain issues an airline would be expected to plan for, eg terrorist attack, emergency landings, accidents, major and sudden increases in oil prices. There are other things they may want to plan for, eg sudden departure of Chief Executive.

Whether contingency planning is essential may depend on

- What sort of contingency planning- planning for what?
- How much is invested relative to overall funds of the business and relative to likely impact if event does happen.
- Likely that some contingency planning is essential and that management would be found to be negligent if they did not do it. Question is what and how well they do it.