



# Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level  
in Business (9BS0)

Paper 03 Investigating business in a competitive  
environment

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Indicative content	Mark
<b>1 (a)</b>	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• Sales forecasts are estimates of future sales that are usually based on previous sales figures, market surveys or managerial estimates</li> <li>• Sales forecasts may be less accurate due to changing consumer trends (fashion for electric cars) / economic variables (supply chain shortages, rising costs of fuel) / the actions of competitors (e.g. potential price wars between Audi and BMW)</li> <li>• Higher interest rates might increase the cost of buying a car using a loan which could reduce demand to lower than was initially forecast</li> <li>• Government grants should make purchasing electric cars more attractive for consumers because they should now be more affordable resulting in higher than expected sales.</li> </ul> <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> <li>• Sales forecasts may be accurate because future sales are based on previous sales. Although fashions might change market research re consumer car tastes could be useful, a switch from diesel to petrol cars, from fuel to electric cars, from 4 x 4s to smaller cars, etc.</li> <li>• Past data e.g. the 78.7% increase in sales of BEVs between 2021 and 2022 and experienced car manufacturer managers can be a useful guide and adjust on the basis of market intelligence</li> <li>• Results from focus groups, product trials or test marketing at Jaguar can be extrapolated to help ensure that sales forecasts are more accurate.</li> </ul>	<b>(8)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–5	<ul style="list-style-type: none"> <li>• Accurate knowledge and understanding.</li> <li>• Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 3	6–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Logical chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement</li> </ul>

Question Number	Indicative content	Mark
1 (b)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <p><b>Marks for application and analysis include up to 2 marks for quantitative skills</b></p> <p>Quantitative skills assessed:</p> <p><b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> <li>• Just in time stock control means that manufacturers do not need to hold large stocks of components (tyres, car seats or windscreens) since these arrive as and when needed</li> <li>• It becomes easier for companies like Jaguar to be flexible and respond to special orders or changes in demand (BEV rose from 22,003 in 2021 to 39,315 in 2022)</li> <li>• Holding less stock saves on warehouse costs. Space in manufacturing plants may have been needed for stocks of components, which can be freed up to increase production capacity</li> <li>• JIT may improve liquidity for car manufacturers because they no longer need to buy large volumes of components such as tyres/car seats/semiconductors.</li> </ul> <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> <li>• Deliveries to car manufacturers for the 39,315 electric cars in March 2022 (a 78.7% increase on 2021) are likely to be more frequent, which therefore depends on close relationships between car manufacturers and suppliers to ensure that components are not late</li> <li>• If car manufacturers only use small amounts of supplies at a time, such as batteries/tyres/car seats/windscreens, then purchasing economies of scale may not be achieved resulting in higher unit costs</li> <li>• Shortage of key components such as semiconductors which may have otherwise been bought in bulk can disrupt production and therefore prove costly to manufacture.</li> </ul> <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> <li>• JiT may save storage costs but is only as good as the suppliers. It is clearly important, as supplies of key components e.g. semiconductors, are crucial to the successful manufacture of all cars.</li> </ul>	(10)

Level	Mark	Descriptor
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Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7–10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement</li> </ul>

Question Number	Indicative content	Mark
<b>1 (c)</b>	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Foreign Direct Investment (FDI) occurs when companies with their head office in one country set up factories or offices or distribution outlets in another country. It can also be external growth</li> <li>• It may create manufacturing jobs in regions like the West Midlands. Incomes in the area might therefore increase which should help to fuel growth of car sales and thus the manufacturer might benefit from extra sales revenue in the longer term</li> <li>• FDI may reduce the need for imports, such as Toyota cars to the UK because they are being manufactured in Derby. This might help reduce car prices and improve choice for the car consumer. Thus, increasing demand for Toyota cars made in the UK</li> <li>• Other businesses in the UK, which are part of the car supply chain, may benefit directly from supplying companies like Jaguar with components.</li> </ul> <p><i>Potential counter-balance</i></p> <ul style="list-style-type: none"> <li>• Profits might be repatriated back to the home country (e.g. Japan or India) which might deny the UK Government tax revenues</li> <li>• UK business culture may be harmed by Japanese business culture which might affect the productivity of staff in UK car production plants</li> <li>• Local community and environment may be damaged by the FDI such as an increase in pollution, congestion caused by the manufacture or transport of cars</li> <li>• FDI may not be that important for job creation because car manufacturing is capital intensive and therefore may not generate many additional jobs.</li> </ul> <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> <li>• The impact of FDI would be positive if a region has a strong reputation for employee skills such as engineering. Jobs could be created in areas like Derby because the workforce already has the necessary skills and FDI is essential for the car manufacture in the UK.</li> <li>• The foreign business directly investing may choose to withdraw its investment in the UK car industry, e.g. wages become too expensive / there are a lack of trade agreements making the UK less attractive. In which case more production facilities may be built by Jaguar in the home country of India.</li> </ul>	<b>(12)</b>



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	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9–12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
1 (d)	<p><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• Differentiation involves making products or services more attractive and distinct from competing products</li> <li>• Cost leadership is a strategy of seeking lower cost to allow a business to reduce prices and therefore increase sales and revenue.</li> </ul> <p><b>Differentiation</b></p> <ul style="list-style-type: none"> <li>• This might be achieved by a car manufacturer in the electric car market making effective use of the design mix, e.g. making the car with the higher mileage range per battery charge more attractive / to create more attractive cars which are more aesthetically pleasing</li> <li>• Effective sales and after sales service through premium car dealerships, e.g. Tesla, might help increase demand for cars as customers feel valued</li> <li>• Successful sales of electric cars may require close relationships with customers and effective market research, such as knowing that customers value the guarantees on battery life</li> <li>• As the car market is likely to be competitive, successful marketing strategies to communicate any USPs (distinctive brands such as Polestar, cheaper running costs, relatively quiet engine) to the consumer</li> <li>• Differentiation may prove too costly especially given the need for effective R &amp; D, e.g. designing batteries with longer mileage</li> </ul> <p><b>Cost leadership</b></p> <ul style="list-style-type: none"> <li>• Larger scaled production of BEVs should help reduce average costs and so allow manufacturers like VW to sell BEVs at lower prices making them more affordable and so help to boost sales</li> <li>• Cost leadership might be a strategy of lowering costs in order to raise profit margins by not altering prices. This could give car manufacturers the extra profits required to invest in improvements in technology to produce BEVs</li> <li>• Use of JIT stock control in the BEV production process helps to reduce stock holding costs and improve quality. This should lead to reduced average costs</li> <li>• Car manufacturing is capital intensive and investments in new technology such as CAD/CAM may lead to improved efficiencies in production and lower costs of manufacturing</li> </ul> <p><i>Possible recommendation</i></p> <ul style="list-style-type: none"> <li>• Differentiation may be better given the importance of how a car looks and functions. Competitors might be able to copy the cost saving techniques used by matching investments in car manufacturing technology or even by outsourcing production</li> </ul>	

	<ul style="list-style-type: none"><li>• Cost leadership may be more effective because the electric car market is becoming more competitive as more manufacturers produce electric cars. Consumers may be more price conscious requiring manufacturers to become more efficient in order to charge affordable prices.</li></ul> <p>Examples of possible 'MOPS' recommendations</p> <p><b>Market</b> – Customers with high incomes and long-term views may be attracted by the differentiation aspects of BEVs</p> <p><b>Objectives</b> – Net zero timetable if supported by government might make differentiation of cars more likely in order to meet environmental objectives</p> <p><b>Product</b> – BEVs at present involve lower running costs which may important to consumers faced with an overall increase in the cost of living</p> <p><b>Situation</b> – the rising costs of energy and fuel may determine which option is better for the customer. Especially the case if real incomes fall</p>	<b>(20)</b>
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Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question.</li> <li>• A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed.</li> <li>• Quantitative and qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• Quantitative and qualitative information are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).</li> </ul>

Question Number	Indicative content	Mark
<b>2 (a)</b>	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p><b>Marks for application and analysis include up to 2 marks for quantitative skills</b></p> <p>Quantitative skills assessed:</p> <p><b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> <li>• An entrepreneur is someone who organises a business venture by combining the other factors of production, namely land, labour and capital</li> <li>• Entrepreneurial roles include creating and setting up a business; running a business; innovation; overcoming barriers; anticipate risk and uncertainty</li> <li>• Creating and setting up a business was shown by Ian's ability to set up German Automotive in 2006 on the back of his experience as a technician and mechanic at Mercedes</li> <li>• Risk of failure was reduced because Ian was able to offer prices 20% below main dealer prices for work which would not invalidate manufacturer's warranties which helped to improve customer confidence</li> <li>• Running and expanding a business was probably met by GA using manufacturer approved parts. Also offering to pick up and drop off cars may have helped GA to gain customers from main dealers.</li> </ul> <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> <li>• Access to finance may have been a barrier to setting up the business initially given the need for lenders to have security, to pay for premises, equipment and employ three staff</li> <li>• As a new business offering prices 20% below the main dealers there may have actually been a risk in the business environment because of overtrading</li> <li>• Expansion from three to now 10 employees suggests that the business was able to develop in order to meet the increased demand</li> <li>• The fall in the marketing budget from £25 000 in the first year to just over £12 000 in 2021, suggests that repeat custom/word of mouth recommendations have enabled Ian to expand GA.</li> </ul>	<b>(8)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–5	<ul style="list-style-type: none"> <li>• Accurate knowledge and understanding.</li> <li>• Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 3	6–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Logical chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement</li> </ul>

Question Number	Indicative content	Mark
<b>2 (b)</b>	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>Corporate Social Responsibility involves paying attention to the impact the company's actions have on social and environmental issues and the impact on a range of stakeholders.</li> <li>Staff are paid more than at alternative German car dealers, such as BMW. For example, Receptionists are paid £12-17 per hour compared to BMW which is £10-15 per hour. This may help to explain why the company has grown from 3 to 10 staff and seen an increase in its turnover from £187 000 to £1 200 000 between 2007 and 2021</li> <li>Investing in technology to match the growing demand for electric vehicles suggests that GA is working towards reducing the negative impact of car emissions on the environment</li> <li>The personal touch to offer caring and quality service and free loan cars suggests that GA is behaving ethically by taking into account the needs of lower-income customers with limited budgets.</li> </ul> <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> <li>It is likely that Ian set up GA in 2006 as a means of increasing his income as a proprietor from GA profits rather than receiving a wage from Mercedes as a technician and mechanic. This suggests that CSR is not so important to Ian's decision making</li> <li>German Automotive is looking to expand its operations over the next five years by investing in technology and equipment, which suggests that market trends are more important to Ian than environmental issues.</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>Overall, despite its growth and implied increases in profits (turnover increased by over 600%), it appears that GA is more than just a means to increase the owner's income given the fact that Ian pays his staff more than BMW.</li> </ul>	<b>(10)</b>

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	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7–10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>



Question Number	Indicative content	Mark
2 (c)	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Marks for application and analysis include up to 3 marks for quantitative skills</b></p> <p>Quantitative skills assessed:</p> <p><b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> <li>• Exchange rates are the price of one currency in terms of another, e.g. in 2020 1 Euro – averaged £0.86</li> <li>• If the Euro appreciates against the British pound for example in 2019 when you needed 94p to buy a Euro, then this may cause the price of Audi or Volkswagen genuine parts effectively imported by suppliers to German Automotive (mirrors, wheels, electronic equipment) to increase</li> <li>• This increase in costs may cause GA to increase its prices of imported wheels to UK customers and so suffer a fall in sales and/or a reduction in profits.</li> </ul> <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> <li>• If German Automotive is able to use original equipment manufacturer parts made in the UK (car mats/roof rails) then the appreciation of the Euro would have no effect on GA's costs and therefore prices need not increase</li> <li>• German Automotive clearly has a number of loyal customers who might still be prepared to buy the genuine Audi and Volkswagen parts at higher prices so profits may not suffer.</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• It will very much depend upon the magnitude of the exchange rate movement (say 3% compared to 30%) and the degree to which GA chooses to pass on any cost increases in the form of price increases to a customer.</li> <li>• If the cars themselves are imported from Germany, this could increase prices of VWs and Audis which may cause the number of vehicles serviced by GA to fall in the longer term, despite their 20% cost savings compared to German car dealers.</li> </ul>	(12)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9–12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
<b>2 (d)</b>	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Marks for application and analysis include up to 2 marks for quantitative skills</b></p> <p>Quantitative skills assessed:</p> <p><b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> <li>Financial incentives are monetary rewards used to help improve staff motivation and achievement. They can include: Piecework, commission, bonuses, profit sharing and performance related pay</li> <li>Non-financial techniques can include: Delegation, consultation, empowerment, team working, flexible working, job enrichment, job rotation and job enlargement.</li> </ul> <p><b>Financial incentives</b></p> <ul style="list-style-type: none"> <li>Service managers are paid £5 000 more at GA than at BMW in Derby which may incentivise the manager concerned causing his/her productivity to be greater than at BMW. Likewise, receptionists are paid an average £2 per hour more at GA than at BMW which may make them feel more valued. However, the working conditions or duties at GA may be more demanding</li> <li>The service managers at GA are also paid a commission presumably for every car serviced so this might encourage him/her to book in more cars. This, however, might lead to overtrading and therefore a number of disappointed customers and a loss in profits</li> <li>Vehicle technicians may be paid according to their productivity (piecework) which can vary between £28-£38 000 per year. So, there is an incentive to be as productive as possible (Taylor). However, the quality of the work might suffer which could ruin GA's reputation in the longer-term causing profitability to suffer</li> <li>Bonuses paid to vehicle technicians should help motivate and retain staff which should boost productivity and so lead to lower recruitment costs, thus increase profits (Maslow)</li> <li>A share in GA's profits made to the company director is linked to the performance of the business as a whole. But external factors like recession can influence business performance so a share in GAs profits may not necessarily improve profitability.</li> </ul> <p><b>Non-financial techniques</b></p> <ul style="list-style-type: none"> <li>Delegation is when individuals like the service manager may be given more responsibility for making decisions. This may encourage initiative and enable GA to introduce ways to improve profitability (Herzberg)</li> </ul>	

- Empowerment suggests that employees can make independent decisions about vehicle loans without consulting a manager. This may make a receptionist feel more valued, improving his /her morale and motivation and so lead to more sales (Maslow)
- Team working enables employees to share decision making and responsibilities. This may be good for vehicle technicians as it can help give reassurance, confidence and improve job satisfaction regarding car servicing (Mayo)
- Flexible working may give receptionists more control over the hours worked and therefore more control over their working lives and increase their job satisfaction. However, they could take advantage of this flexibility and prove less productive.

#### *Potential judgement*

- German Automotive is a small business with only 10 members of staff in total. In which case non-financial incentives such as job rotation may be more important because staff may be expected to perform a range of tasks. Working outside of their specific job role may bring variety and help reduce boredom
- People and organisations vary so there is no one approach which can guarantee motivation, productivity and therefore sales and profits. Delegation and empowerment are received positively by most people but an employee such as a vehicle technician with a family to support may simply prefer bonuses to help increase his/her take home pay.

#### Examples of possible 'MOPS' recommendations

- **Market** – if GA's customers are repeat customers based on quality of the service, then it may be more important that staff may be longer term employees who have been valued through non-financial techniques such as delegation.
- **Objectives** – if GA wishes to maximise employee performance having a financial incentive like a bonus may help to support a growth in sales and hence profits, though this may be linked to the quality of workmanship to continue to provide excellent service.
- **Product** – GA's reputation as a caring business may stem from how it/Ian views his staff. If employees are more motivated through non-financial techniques, then this may be a better approach to adopt in order to retain skilled employees.
- **Situation** – Recession may cause GA's servicing sales to increase as consumers are less likely to buy new/er cars given an overall reduction in incomes. This coupled with a desire of GA's employees to increase their earnings, might make financial incentives more attractive in the short run.

**(20)**

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding which are applied to the business example.</li> <li>• Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question.</li> <li>• A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed.</li> <li>• Quantitative and qualitative information are introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• Quantitative and qualitative information are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).</li> </ul>

