



**ADVANCED**  
**General Certificate of Education**  
**2023**

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**Business Studies**

Assessment Unit A2 1

*assessing*

Strategic Decision Making

**[ABU11]**

**THURSDAY 25 MAY, AFTERNOON**

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**MARK  
SCHEME**

## **General Marking Instructions**

### ***Introduction***

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

### ***Assessment objectives***

Below are the assessment objectives for GCE Business Studies.

Candidates should be able to:

- AO1** Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
- AO2** Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
- AO3** Analyse issues within business, showing an understanding of the impact of external and internal influences on individuals and organisations.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

### ***Quality of candidates' responses***

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17 or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

### ***Flexibility in marking***

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

### ***Positive marking***

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17 or 18-year-old GCE candidate.

### ***Awarding zero marks***

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

### ***Marking Calculations***

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations. If a candidate gives the correct answer without showing their working out, full marks should be awarded.

### **Types of mark schemes**

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

### **Levels of response**

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

### **Quality of written communication**

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within either 3 or 4 levels of response.

Where there are three levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is good.

Level 3: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Basic):** The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Good):** The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

**Level 3 (Excellent):** The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a very high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

Where there are four levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is good.

Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Basic):** The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Satisfactory):** The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a satisfactory standard to make meaning evident.

**Level 3 (Good):** The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

**Level 4 (Excellent):** The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

1 (a) Using the case study information, explain **one** barrier to effective communication.

- Out-of-date Technology
- The use of jargon or complex specialist terms not understood by the receiver
- Underestimate the ability of the receiver
- Too much information overload – the message may be too lengthy and detailed in content
- Too many intermediaries (e.g. too many layers in the hierarchy through which message has to pass)
- Wrong choice of communication channel
- Speak too quickly/different accent
- Electronic problems
- The sender may not have thought-out and planned the message they wish to convey
- The message may be delivered at an inappropriate time for the recipient to give it their full attention, or at a time when the intended recipient was unavailable.

Answers can be accepted from internal and external stakeholder groups

Way Market's employees have a multiple two-way communication and feedback with management through the intranet, employee app and in-house business magazine. Way Market have realised that not all stakeholder groups (customers, employees, owners etc.) are able to communicate effectively due to technology needed to be updated.

Way Market have 152 stores and employing 4311 people in Ireland this may mean too many staff to communicate effectively.

Marking: AO1 [2]; AO2 [2]

[4]

(b) Explain any **two** internal economies of scale that Way Market Ltd might benefit from.

- **Purchasing/Bulk-buying economies.** These arise from the fact that larger businesses purchase larger volumes of goods than smaller ones. Because of this Way Market they have greater purchasing power and consequently can demand better discounts and lower selling prices from their suppliers. They offer quality food at competitive prices achieved through bulk buying
- **Technical economies.** These economies result from the fact that larger businesses can afford to invest in the most modern, up-to-date and efficient machinery, as well as invest in the research and development of new production techniques. Way Market invested £1 million in new packaging technology to help with recycling
- **Financial economies.** Way Market can get lower and more attractive interest rates from lending institutions and be able to gain finance easier. Gearing Ratio has increased from 41% to 60%
- **Marketing economies.** The increasing costs involved in advertising, promotion, distribution and sales can be more easily spread over the wide range of products and sales. Way Market use TV, social media to promote product
- **Managerial Economies.** Way Market employ specialist managers, accountants, human resource team and sales people, whereas in small

firms one-person may have to fill many roles. Way Market has it's own Specialist Human Resource team to deal with all recruitment, selection and training issues.

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**Marking:**

**Level 3 [5]–[6]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding of two internal economies of scale that Way Market Ltd might benefit from.
- Thorough and detailed use of relevant source material for two internal economies of scale that Way Market Ltd might benefit from.

**Level 2 [3]–[4]**

A good response demonstrates:

- Good, accurate knowledge and understanding of up to two internal economies of scale that Way Market Ltd might benefit from.
- Good use of relevant source material for up to two internal economies of scale that Way Market Ltd might benefit from.

**Level 1 [1]–[2]**

A basic response demonstrates:

- Basic knowledge and understanding of up to two internal economies of scale that Way Market Ltd might benefit from.
- Limited use of relevant source material of up to two internal economies of scale that Way Market Ltd might benefit from.

Answers not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[6]

10

2 Evaluate the usefulness of a mission statement to Way Market Ltd.

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Way Market's vision is to make their customers life better by ensuring high customer satisfaction by providing high quality food at market value. Their mission statement states that; "we deliver outstanding customer satisfaction and we guarantee quality food through a rigorous product development and quality control process. We have high calibre staff and we aim to be one of the best food retailers in Ireland".

- Mission statement should be bold in sense of demonstrating ambition and inspiring employees and customers to see if the business is worth supporting
- Needs to be current and up-to-date to reflect changing times
- Mission statement should be brief and easily understood
- Facilitates the motivation of staff within the business, aimed at achieving objectives. Helps to attract a high calibre of staff
- Staff may not be motivated to read the mission statement, instead focusing on their individual roles within the business, letting the management team take responsibility for all key decisions
- Assist the management team to focus on the main purpose of the business and enables the management team to develop long-term plans for the business
- An inability of the management team to relate the mission statement to the actual decision making process or purpose of the business – either unintentionally or deliberately
- Acts as a useful device in order to attract publicity for the business in a positive manner
- Negative publicity may be attracted if a business entity fails to achieve the goals stated within the mission statement as stakeholders are likely to have expectations about the extent to which a business will act in this manner
- Allows the management team to communicate to relevant stakeholders the short-term operational goals of the business
- An inability on the part of various stakeholder groups to distinguish clearly between the purpose of the business and subsidiary aim(s)
- An evaluation of the use of a mission statement of a business entity will
- Difficult to measure effectiveness – it is a qualitative.

**Marking:**

**Level 3 [11]–[15]**

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of a mission statement.
- Appropriate use of relevant source material, to fully support a detailed analysis.
- Well-focused and sound analysis.
- Highly appropriate, clear and logical evaluation.
- An excellent quality of written communication.

**Level 2 [6]–[10]**

A good response demonstrates:

- Good knowledge and understanding of a mission statement.
- Mostly appropriate use of relevant source material to support the analysis.
- Good analysis of relevant issues.
- Mostly appropriate, clear and logical evaluation.
- Good quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding of a mission statement.
- Basic use of relevant source material to support the analysis. Some references to source material may not be appropriate.
- Basic analysis of relevant issues.
- Basic evaluation.
- Basic quality of written communication.

Answers not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[15]

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15



3 Evaluate the implications for Way Market Ltd of having growth as a business objective.

- Achieving growth through a marketing campaign
- **Having a growth strategy can enhance the firm's competitive position in the market.** In 2019 Way Market was the fastest growing supermarket with estimates of growth at 9%
- **Having a growth strategy should motivate workers as it is more likely to give them greater job security** – Way Market invested heavily on staff wellbeing – 4% wage levels higher than the minimum wage and contracts with a minimum of 30 hours to facilitate employees changing needs
- **A growth strategy may allow a company to eliminate competitors or gain a competitive advantage** over them. Way Market's business differentiates itself from its competitors; Tesco, Sainsbury's, Asda, Lidl and Eurospar by focusing on simplicity and maximum efficiency at every stage of its business. Way Market operates maximum efficiency and have excellent relations with suppliers and manufacturers in the food industry, generating savings that are passed directly back to the customer in the form of low pricing without compromise on quality
- **A growth strategy can minimise the chance of business failure.** Way Market's market share has increased by 9%
- **A growth strategy may allow the company to benefit from economies of scale.** With 4 distribution centres across Ireland and 152 stores they can benefit from bulk buying – or an alternative economies of scale mentioned – marketing economies of scale through spending the cost of TV adverts
- **A growth strategy can lead to diseconomies of scale** – marks may be awarded for reference to a specific diseconomy of scale to many stores, communication breakdown with staff
- **A growth strategy can fail if it takes place too quickly**
- **A growth strategy can lead to cultural issues**
- **A growth objective may not be possible especially in the current economic climate, Brexit, Covid**
- **The cost of growth strategy can have a negative effect on the business** i.e. increase gearing ratio to 60%, less profits for shareholders
- If a business grows, it can affect the dividends distributed to the shareholders – more EPS
- An increase in growth can lead to more profits.

**Marking:**

**Level 4 [16]–[20]**

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of the objective – growth.
- Appropriate use of relevant source material, coming to a fully supported argument.
- Well-focused and sound analysis.
- Highly appropriate, clear and logical evaluation.
- An excellent quality of written communication

**Level 3 [11]–[15]**

A good response demonstrates:

- Good knowledge and understanding of the objective growth.
- Mostly appropriate use of relevant source material to support the analysis.

- Good analysis of relevant issues.
- Mostly appropriate, clear and logical evaluation.
- Good quality of written communication.

**Level 2 [6]–[10]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of the objective growth.
- A suitable, appropriate evaluation, based on reasonable analysis.
- A satisfactory use of source material, coming to a partially supported argument.
- A satisfactory quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding of the objective growth.
- Basic use of relevant source material to support the analysis. Some references to source material may not be appropriate.
- Basic analysis of relevant issues.
- Basic evaluation.
- Basic quality of written communication.

Answer not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[20]

20

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- 4 Evaluate how the People and Planet elements of Elkington's Triple Bottom Line model to help Way Market Ltd's organisation performance.

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### People

- **Leads to highly motivated staff improving productivity** – having a happy and healthy workforce, people are central to their success
- **Competitive advantage over their rivals:** They look after their customers, support local communities and make sure staff have excellent working conditions
- **Will provide Way Market with higher calibre staff and should lead to less recruitment cost** and lower absenteeism and lower labour turnover. Way Market introduced a pay policy for all employees that gives 4% wage levels higher than the minimum wage. They also offered their store and warehouse employees contracts with a minimum of 30 hours to facilitate employees changing needs. They also provide an attractive pension scheme and offer a work-life balance by providing maternity and paternity leave up to one year
- **Higher wage bills** than other firms as they pay 4% more than minimum wage
- **Time and cost** of constantly communicating to all stakeholders
- **Cost of a specialist HR team** – training and recruitment costs
- Difficult to measure staff satisfaction.

### Planet

- **Caring for the environment is an essential part of this image** – Way Market's aim is that by 2024 to reduce their packaging volumes by 20%, and by 2025, 100% of their own branded packaging will be recyclable
- **Increase size of customer base.** Way Market may attract "green" customers and so increase sales revenue and profit as they have decided to remove black plastic from its entire fruit and vegetable range across all 152 stores. As a result of this over 50 tonnes of black plastic is avoided annually
- **Government incentives.** Opportunity to apply for grants towards investing in renewable energy sources. This will reduce initial costs of investment and generate future savings in energy
- **May give the company a competitive edge in the sector.** It is likely to generate very positive publicity for the company and so further increase sales revenue and profits
- **Push up business costs investing in new technology** – Way Market have invested funds in new technology to reduce their carbon footprint. The investment in this technology means they can reduce their packaging volumes and achieve their target by 2025
- **No guarantee that it will attract more customers.** Customers may be more concerned about economics issues rather than environmental issues in the current climate
- Difficult to measure the effect on the planet.

### Marking:

#### Level 4 [16]–[20]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of Elkington's Triple Bottom Line Model.
- Highly appropriate, clear and logical evaluation, based on well focused and sound analysis.
- Appropriate use of relevant source material, coming to a fully supported

argument.

- An excellent quality of written communication.

**Level 3 [11]–[15]**

A good response demonstrates:

- Sound and accurate knowledge and understanding of Elkington’s Triple Bottom Line Model.
- An appropriate, clear and logical evaluation, based on focused analysis.
- Mostly appropriate use of relevant source material, coming to a supported argument.
- A good quality of written communication.

**Level 2 [6]–[10]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of Elkington’s Triple Bottom Line Model.
- A suitable, appropriate evaluation, based on reasonable analysis.
- A satisfactory use of source material, coming to a partially supported argument.
- A satisfactory quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding of Elkington’s Triple Bottom Line Model.
- Basic evaluation, based on limited or no relevant analysis.
- References to source material may not be appropriate.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[20]

20

5 Evaluate the performance of Way Market Ltd for the period 2021 to 2022, using the ratios from **Table 1**.

- Current Ratio – compares the total of the current assets to the total of the total current liabilities, and indicates if the business can pay its immediate short term debts from available resources. The current ratio has improved from 1.3:1 to 1.7:1. The firm may be able to take advantage of discounts for prompt payment. The firm may be able to pay its debts when they become due and so suppliers will deliver stock on time, this will help to keep production schedules. The firm will be able to buy goods large quantities and gain from purchasing economics of scale. Way Market need to be careful that the current ratio does not worsen again to 1.3:1 as the firm may be forced to sell products at reduced prices or give large discounts in order to get funds quickly if it is short of cash
- Gearing Ratio – measures how much risk the business has due to the amount of its capital that it has borrowed. Gearing ratio has gotten worse 41% to 60%. Way Market is now highly geared. Business has greater levels of financial risk, debt, high interest payments. They may find it hard to raise extra finances if highly geared. However, by being highly geared caused by more borrowings, firm might make more profits as they have taken a risk to invest in new technology. Way Market invested £1 million in packaging technology to improve communication and improve environmentally
- ROCE – The ratio compares the operating profit to the capital invested in the business acting as a benchmark of returns on investments, facilitating comparisons to be drawn with other forms of investment, e.g. interest received on bank deposits. Way Market ROCE has improved from 5.7% to 9.6%. The higher the figure the better as it measures profitability and shareholders will prefer larger returns
- Gross Profit Percentage – has improved from 24.6%–36%. Figure should be as high as possible as other expenses such as wages, rent and rates still have to be paid. GP may have improved due to increase in sales (market share increased) and bulk buying. Way Market gained from economies of scale
- Net Profit Percentage – has improved from 3.2% to 5.8%. Shows business has gotten better at controlling costs. Way Market have made savings on recycling and reduced wastage
- Earnings per share – has improved £0.10 to £0.46. Shareholder will receive high profits on their investment.

**Table 1: Extracts of the financial information relating to Way Market**

<b>Profitability</b>	<b>2021</b>	<b>2022</b>
Gross Profit percentage	24.6%	36%
Net Profit percentage	3.2%	5.8%
Return on Capital Employed	5.7%	9.6%
<b>Liquidity</b>		
Current Ratio	1.3:1	1.7:1
Gearing Ratio	41%	60%
<b>Shareholders Returns</b>		
Earnings per Share	£0.10	£0.46

**Marking:**

**Level 4 [20]–[25]**

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of the financial performance from 2021 to 2022 using accounting Ratios.
- Highly appropriate, clear and logical evaluation, based on well focused and sound analysis of the change in financial performance.
- Appropriate use of relevant source material, coming to a fully analysed argument of the change in financial performance.
- An excellent quality of written communication.

**Level 3 [14]–[19]**

A good response demonstrates:

- Sound and accurate knowledge and understanding of the financial performance from 2021 to 2022 using accounting Ratios.
- An appropriate, clear and logical evaluation, based on focused analysis of the change in financial performance.
- Mostly appropriate use of relevant source material, coming to a partially analysis of the change in financial performance.
- A good quality of written communication.

**Level 2 [8]–[13]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of the financial performance from 2021 to 2022 using accounting Ratios.
- A suitable, appropriate evaluation, based on reasonable analysis of the change in financial performance.
- A satisfactory or appropriate use of source material, coming to a partially supported analysis of the change in financial performance.
- A satisfactory quality of written communication.

**Level 1 [1]–[7]**

A basic response demonstrates:

- Basic knowledge and understanding of the financial performance from 2021 to 2022 using accounting Ratios.
- Basic evaluation, based on limited or no relevant analysis of the change in financial performance.
- References to source material may not be appropriate.
- A basic quality of written communication.

Answer not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[25]

**Total**

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25

**90**