

GCE



Revised GCE  
Teacher Guidance  
**Business Studies**

AS and A2 Marking

For first teaching from September 2016





## **GCE Business Studies**

### **New Specification - September 2016**

Below is some information which will provide assistance to teachers and candidates on how the papers for the revised specification should be answered and marked. It is intended as guidance only. There may be small differences in the marks and/or Assessment Objective weightings (AOs) across papers and though the lifetime of the specification, due to the nature of the questions on the papers.

#### **Assessment Objectives**

##### **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 a 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.

### Assessment Objective Weightings

Unit	Total Marks	AO1	AO2	AO3	AO4	Unit Weighting
Paper AS1 1.5 hours		5.3%	5.0%	5.2%	4.5%	20%
Marks	80	20 Marks	20 Marks	22 Marks	18 Marks	
Paper AS2 1.5 hours		5.5%	5.3%	5.3%	4.0%	20%
Marks	80	20 Marks	20 Marks	22 Marks	18 Marks	
Paper A2 1 2 hours		6.3%	8.0%	6.3%	9.3%	30%
Marks	90	19 Marks	24 Marks	19 Marks	28 Marks	
Paper A2 2 2 hours		6.0%	7.0%	7.7%	9.3%	30%
Marks	90	18 Marks	21 Marks	23 Marks	28 Marks	
Total Marks	340	77 marks	85 marks	86 marks	92 Marks	
Total Percentages		<b>22.7%</b>	<b>25%</b>	<b>25.3%</b>	<b>27.0%</b>	100%

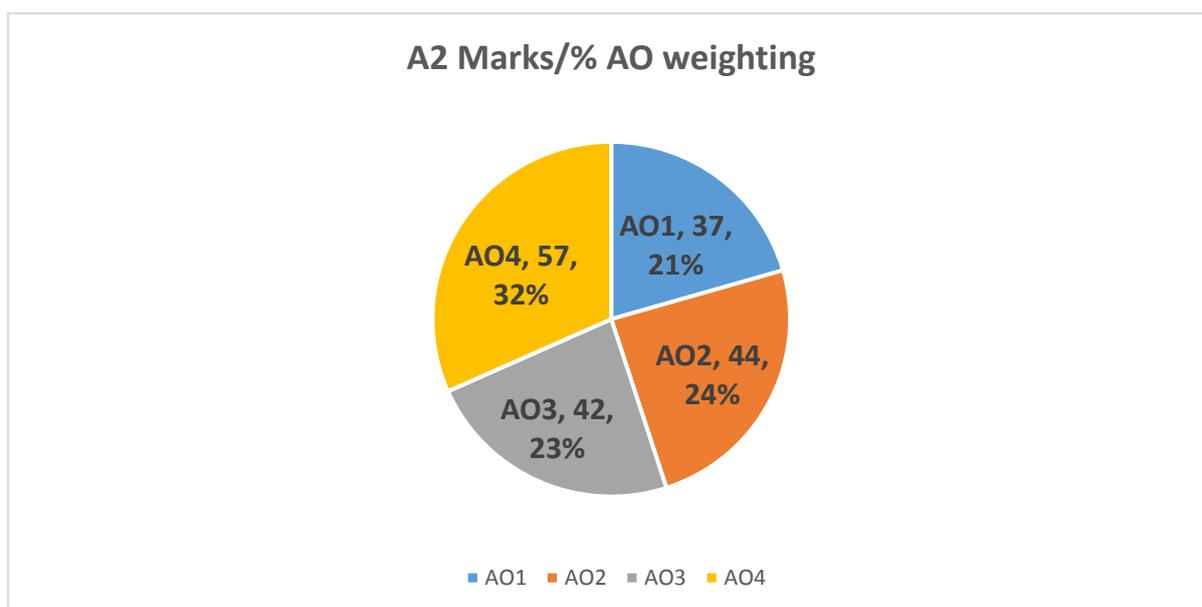
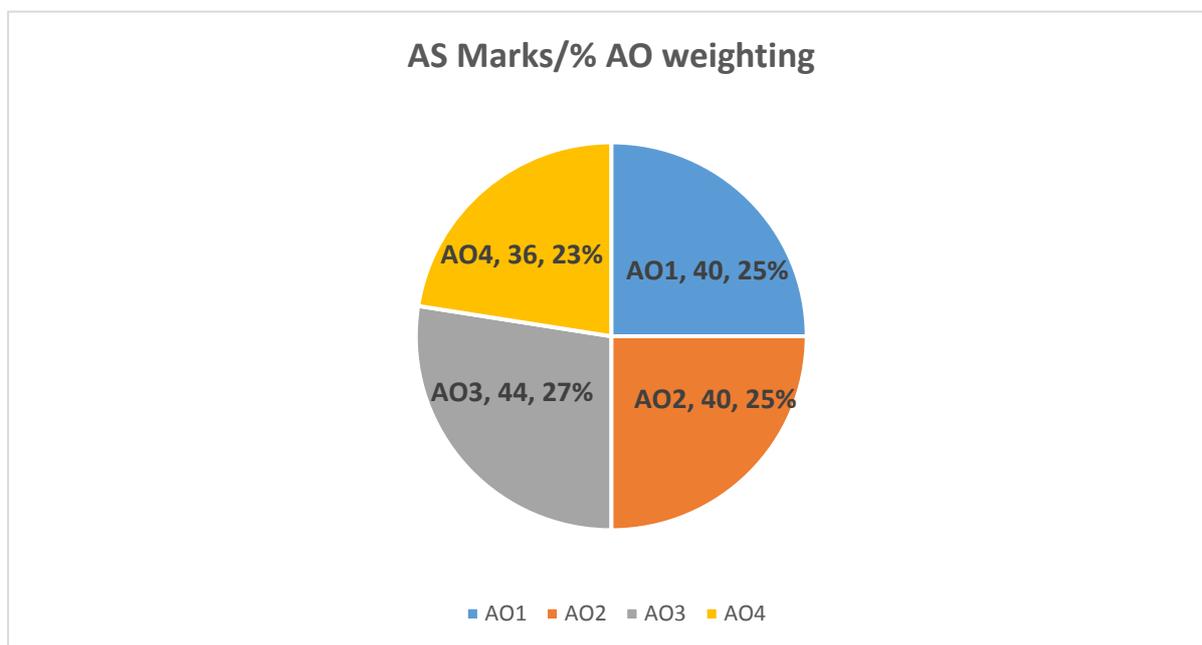
## AS and A2 Skills Requirements

At AS and A2 level the weighting of the assessment objectives differs significantly, and candidates need to be aware that they are required to demonstrate stronger **evaluation skills** at A2 level to achieve higher marks.

It should be noted that the weightings have also changed for the new specification; AS is now worth 40% of the total A Level and A2 is 60%.

**Table showing percentage of the marks available for each of the assessment objectives.**

	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
<b>AS Level</b>	25%	25%	27%	23%
<b>A2 Level</b>	21%	24%	23%	32%



**Guidance on Question Paper Structure**

NB: There may be small changes in marks/AOs across different units or question papers over the lifetime of the specification.

AS1 (90 Mins)						AS2 (90 Mins)					
Question	Marks	AO1	AO2	AO3	AO4	Question	Marks	AO1	AO2	AO3	AO4
1a)	4	2	2			1a)	4	2	2		
1b)	8	2	2	4		1b)	8	2	2	4	
1c)	10	3	3	4		1c)	10	3	3	4	
1d)	18	3	3	3	9	1d)	18	3	3	3	9
2a)	4	2	2			2a)	4	2	2		
2b)	8	2	2	4		2b)	8	2	2	4	
2c)	10	3	3	4		2c)	10	3	3	4	
2d)	18	3	3	3	9	2d)	18	3	3	3	9
Total	80	20	20	22	18	Total	80	20	20	22	18
A2 1 (120 Mins)						A2 2 (120 Mins)					
Question	Marks	AO1	AO2	AO3	AO4	Question	Marks	AO1	AO2	AO3	AO4
Q1	10	6	4			Q1	6	3	3		
Q2	15	3	4	4	4	Q2	9	3	3	3	
Q3	20	3	4	5	8	Q3	15	3	4	4	4
Q4	20	3	4	5	8	Q4	20	3	4	5	8
Q5	25	4	6	6	9	Q5	20	3	4	5	8
						Q6	20	3	4	5	8
Total	90	19	22	20	29	Total	90	18	22	22	28

## WHAT WILL EXAMINERS BE LOOKING FOR IN CANDIDATES RESPONSES?

Below is a summary of the requirements that examiners will be looking for from candidates' responses.

Candidates should read the question very carefully and answer the question given. They should not respond by simply reiterating their knowledge on that topic.

### AO1 Knowledge and Understanding (K&U)

Definitions are the foundation of any good answer and candidates should aim to impress the examiner, early in their response, by demonstrating clear and precise business knowledge.

### AO2 Application (App)

For application marks it is vital that candidates review the case study/ stimulus carefully and identify the key underlying issues of the business to use in their response. Candidates should look for the following key elements to use in their response:

- Key features of the business/industry;
- Manipulate the key data, showing useful insights; and
- Identify major issues that is having a significant impact on the performance of the business both positive and negative influences.

Often the case study/stimulus information is the key to unravelling the issues facing the business. Candidates must recognise these issues demonstrating strategic thinking and then apply it to the set question.

### AO3 Analysis (An)

Analysis is about building a chain of arguments and developing a line of reasoning. Candidates should not put together a generic line of argument that can apply to any business. When making a point, look at the how it can be developed into a sustained line of argument.

Good analysis involves discussing the impact of their points in a 'chain', using at least three connectives

It may help candidates to think **B-L-T**

**B – Because;**

**L – Leading to;** and

**T – Therefore,** the effects and consequences.

Candidates who develop a more coherent argument are more likely to achieve higher marks. Examiners will be looking at the range and depth of students answers.

More in depth analysis can be achieved through the use of the information in the case study such as;

1. Formulae and calculations
2. Theoretical models
3. Analytic perspectives

Candidates are often advised to give both sides of the argument which is generally good advice for the evaluative questions. However, if the candidate is asked to 'analyse two benefits' or 'analyse two limitations', the candidate may waste time discussing issues which attract no marks as they do not address the question. **Read the question carefully.**

### **AO4 Evaluation (Ev)**

To access the higher marks, candidates need to be able to evaluate in depth. The points made must be relevant, supported by evidence from the case study, developed using connectives, with an evaluate sentence, (final judgement), at the conclusion. Most 'evaluate' questions are worded to encourage you to make a judgement. No matter what perspective a candidate may argue from in the evaluation it will attract marks; as long as you can back up your argument logically and cohesively.

Examiners will be looking for the answer to the question set on the paper and for candidates to show clearly how they can support their decision in their response.

The case study/stimulus information is often the key to unravelling the issues facing the business. You must recognise these issues demonstrating that you can think strategically and then apply your thinking to the set questions.

Consider using prompts in your evaluation such as:

Based on these arguments I think that.....

This is because.....

I believe this is significant for the business because.....

However, it depends on.....

So I recommend.....

**PAnEL and AJIM** Method of answering questions.

There are two videos that can be accessed at [www.tutor2u.net](http://www.tutor2u.net) which highlights the benefits of using PAnEL and AJIM when attempting to answer analyse and evaluative questions. On the website type '**BUSS4 Signposting**' in the search area and you will gain access to both videos. Candidates should gain an insight into how they should address the questions set and it will assist in the development of both in-depth analysis and how to answer evaluative questions successfully.

The PAnEL suggest the following format when answering questions, while AJIM aims to address the evaluate

<b>Knowledge &amp; Understanding</b>		<b>Details</b>
<b>P</b>	Point	The Point You are making. Use the words that are in the question.
<b>Analysis</b>		
<b>An</b>	Analysis	Explain how and why your point is relevant to the question, using logical chain of argument and using relevant business theory.
	Evaluation	Counter Balance of your point.
<b>Application</b>		
<b>E</b>	Evidence	Supporting Evidence makes use of relevant examples to illustrate your point.
<b>L</b>	Link	Link this back to the question
<b>Evaluation</b>		
<b>A</b>	Answer	Decide on your answer to the question
<b>J</b>	Justify	Why did you decide to select your answer
<b>I</b>	It Depends	Other Options available other than your answer
<b>M</b>	Most Important Reason	Ultimate reason why you selected your answer

**Guidance on using the time available.**

The examiners require an in-depth analysis and evaluation in an evaluative question for candidates to access higher marks.

A good answer will have a clear direction and plan laid out from the start. Making a plan that keeps referring back to the actual question aim is strongly recommended.

At **AS** the exams are 90 minutes long, which means at least 10 mins to read stimulus, questions and plan answers. For an 18 mark question the examining team suggest the following timelines.

Content Knowledge	3 mins
Point 1, analysed, applied and counter balanced	5 mins
Point 2, Analysed, applied and counter balance	5 mins
Evaluation	<i>5 mins</i>
Total time	18 mins

**Therefore for the 18 and 20 mark evaluative questions *two* points fully developed will meet the criteria.**

**For a 25 mark question at A2 1 for example, *three* points fully developed will meet the criteria.**

**Below are some exemplars of mock questions and responses, and an indication of how they will be marked by examiners.**

**Exemplar question 1: Analyse how company A might improve its profits.**

Exemplar Response A: Demonstrates reasonable analysis, and a generic response.

*Company A should look to Increase revenue and/ or cut costs. The company will increase revenue by putting its prices up and increasing profits or cut prices to boost demand and again increasing profits. It could also reduce costs by buying in bulk through economies of scale, move to cheaper supplier, import supplies from cheaper countries, move to cheaper premises, pay off bank loans thereby reducing interest payments.*

Exemplar Response B: Demonstrating good analysis, showing a range and depth of analysis, applied to the case study.

*The stimulus/ Case study implies cash flow problems, identified by overdraft and loans. Therefore, to improve company A profits is limited. There is no scope for cutting costs, through bulk buying or reducing fixed costs by switching location, or repaying loans as there are no funds to do so.*

*Switching to cheaper suppliers is an option, but it has probably been tried before, because of cash flow problems or inability to access large funds. Therefore, the focus must be on boosting revenue through price increases on price in elastic goods such as (products/ services) and to cut prices on price elastic goods such as (Products/ services?). Determine the price elasticity of its product range.*

**Exemplar question 2: Analyse one way in which a restaurant might respond to a competitor launching a promotional campaign.**

Exemplar Response A: Demonstrating reasonable analysis, and a generic response.

*One way in which a restaurant might respond is to advertise a reduction the prices of its food and drink menu. The Cheaper prices could attract more customers, especially if the restaurants food and drink was price elastic as reducing the price should result in an increase in sales, resulting in customers deciding against eating at the competitors' restaurant.*

Exemplar Response B: Demonstrating good analysis, showing a range and depth of analysis, and applied to the case study.

*One way in which the restaurant might respond is to advertise a reduction in the prices of its food and drink menu. Cheaper prices could attract more customers, especially if the restaurants food and drink was price elastic as reducing the price should result in an increase in sales, resulting in customers deciding against eating at the competitors' restaurant.*

*The restaurant would need to make sure that they have enough stock of ingredients to cater for the potential increase in orders as well as sufficient staff, waiters, waitresses and chefs to cope with the expected increase in customers. The excellent cheaper food experience/ service to the increased numbers in customers, who may otherwise have eaten at the rival restaurant, may now return as loyal customers.*

**Exemplar question 3:**            **(d) Evaluate the advantages and disadvantages that Jessops may have experienced by becoming a public limited company in 2004.**            **[18]**

(Adapted from GCE Business Studies Summer 2009)

**Exemplar Response:**            A public limited company like Jessops can buy and sell share on the stock market, they have plc after their name (k).

Point 1

*(NB: Candidates are **not** expected to write point1 / 2 etc in their responses—this is only for clarity in the exemplars)*

*An advantage of Jessops being a plc is that they will find it much easier to raise finance (k). They can buy and sell shares to members of the public in order to finance further growth beyond the 200 stores already opened (App). This means that Jessops can expand the popularity of digital imaging by using the money gained from shareholders (An). Leading to the company having access to a lot more money (An) than compared to some smaller online competitors such as Photobox (App). This means that they can develop their stores and maybe develop an App (an). Therefore, Jessops could become the leading innovator in online photo technology (An), leading to more awards (An) such as Photo Retailer of the year (App). However, they could easily lose control off their business to competitors such as Kodak who may want to buy them over (Ev).*

Point 2

*A major disadvantage of being a plc is that Jessops is divorce of ownership and control (k). The board of directors have control off Jessops but they are accountable to many shareholders of Jessops (An). This means that the directors will always be looking after the interests of shareholders above the interest of other stakeholders (An). Leading to the fact that the welfare of employees may not be top priority (An). Therefore, Jessops may get a bad reputation for employee's welfare, it can be felt that shareholders are more important (An). However, the directors may also own shares in Jessops and they want the best for Jessops and all its stakeholders (Ev).*

*I recommend that Jessops should remain as a public limited company as in a rapidly growing market, they need access to a lot of capital and being a plc makes this easier. They will find it easier to raise finance from the bank as well. I believe that as long as Jessops can maintain a good online presence and perhaps lower their costs on the high street then it can be a viable business. It does depend on Jessops be able to keep a close eye on their finances and perhaps not distribute a dividend this year in order to keep the business going in such as competitive market. The main reason for Jessops to be a plc is to raise the capital expenditure needed for new technology and investment (AJIM).*

Level 4 [14 marks – 18 marks]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of a public limited company in relation to Jessops.
- Highly appropriate, clear and logical judgement based on well focused and sound analysis of a public limited company.
- An excellent quality of written communication.

### Exemplar Question 4:

**Evaluate whether or not Shane Noble should continue to operate the business as a sole trader.** [18]

Exemplar Response: A sole trader business is a business operated and owned by one person – in this case Shane owns and operates a business called Framing Fantastic, producing picture frames and wall mounts.  
(Kn)

#### Point 1

*One disadvantage of Shane operating as a sole trader is that of unlimited liability. This is considered to be a huge financial risk since, if Framing Fantastic were to incur debts or go bankrupt for some reason e.g. failure to repay long term debts due to a shortage of cash flows or bad debt and unable to pay his suppliers on time, Therefore Shane Noble is personally liable for the all business debts because of Unlimited Liability. His personal assets (such as house or car) may be forfeited to repay the outstanding debts. Shane purchased the new Trucut cutting machine which would have depressed cash flows initially. Should this investment fail and not increase productivity and profits the n Shane is liable for the full cost of the machine.*

*This issue may be resolved if Shane Noble were to operate the business as a private limited company in the future, which would enable Shane, as a shareholder, to avail of limited liability and thus limit his liabilities to the extent of the amount of capital invested in the company.*

#### Point 2

*An important advantage of operating as a sole trader is that responsibility for decision making will rest with Shane, as sole trader. It is expected that the business can run much more effectively and smoothly because he has full control and Shane doesn't have to consult anyone else on the decisions making process. Decisions are made faster and minimises the risks of disputes arising in Framing Fantastic. Furthermore, since Shane is producing picture frames/wall mounts and tailoring them to customer requirements, he is dedicating a considerable amount of time to this. However, it should be borne in mind that there is the possibility that Shane Noble may make incorrect decisions from time to time based on imperfect research, which would be detrimental to the business – for example – the investment in the Trucut cutting machine may lead to increased costs and may not reach his set profit targets. As a consequence of this, this may lead to decreased profits. It might have been more beneficial for Shane to consult with existing staff about major issues such as purchasing new machinery without consultation.*

*Based on these arguments, I think that Shane Noble should continue to operate as a sole trader since there is no evidence of financial difficulties in Framing Fantastic at present and it seems that Shane) may have already decided to operate as a sole trader because of a personal preference to be 'his own boss'. Due to the issue of unlimited liability, Shane (and staff) will have to work hard to ensure Framing Fantastic is as successful as possible in order to minimise financial risk for the business.*

Level 4 [14marks – 18 marks]

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of whether or not Shane Noble should continue to operate the business as a sole trader.
- Highly appropriate, clear and logical judgement of whether or not Shane Noble should continue to operate the business as a sole trader, based on well focused and sound analysis.

- Thorough use of relevant source material to address whether or not Shane Noble should continue to operate the business as a sole trader.
- An excellent quality of written communication.

### Exemplar Question 5:

#### Evaluate the use of a Business Plan for decision making purposes by the owner of Framing Fantastic. [25]

A business plan is a document drawn up by a business such as Framing Fantastic in order to detail how the business's product lines will be produced and sold, in addition to a summary of how resources might be allocated to the process.

##### Point 1

*A key advantage of preparing a business plan for decision making purposes is that it would usually include elements such as a SWOT/PESTEL analyses in order to identify internal and external factors which may impact the future performance of the business therefore giving scope for improved decision making in future. Shane's decision to acquire the Trucut cutting machine recently would show how it is to be financed, repaid, cost efficiencies made, products marketed and expected increases in sales revenues and profits. Although there is a tendency to quantify the key decisions in the Business Plan in terms of forecasted profits/ losses) it has the potential to divert the owner's attention away from qualitative issues – for example – improved quality of picture frames that could lead to increased levels of customer loyalty which is not easily quantifiable in a business plan.*

##### Point 2

*A further advantage of preparing a business plan for decision making purposes in a business such as Framing Fantastic is that it can be used by Shane to obtain additional finance for the business to purchase the Trucut machine with a loan from the bank. All aspects of future business activities are included in the business plan and key assumptions stated explicitly. These assumptions within the Business Plan can be checked and validated by the Bank, since The Business Plan has careful analysis and accurate budgeting for future viability. However, a key drawback of the business plan is that it may not be entirely reliable – set production and sales targets set for the staff of Framing Fantastic may turn out to be too demanding or difficult to achieve which may result in demotivation among staff.*

##### Point 3

*A key drawback of preparing a business plan for decision making purposes is that it is a time-consuming process to complete – Shane Noble would need to be competent in the activities required to undertake the strategic planning process and compile the financial/ non-financial data required for inclusion in the business plan for Framing Fantastic, for example environmental scanning, cash flow forecast, market research and so on. The Completion of the Business Plan will divert Shane's attention away from the day-to-day running of the business. A potential problem which may arise is that customers may lose the 'personal touch', if he is completing the Business Plan, which Shane is keen to promote to new/ existing customers as a way of increasing sales and market share. Customers may therefore not return if they cannot experience this personal service and Shane may find it difficult to grow the business in future due to 'spreading talent thinly' across the business. However, if the time is put in at the start of the business then it will be time well spent in terms of improving and achieving his overall objectives.*

*So, I recommend that Shane Noble proceed with the production of his Business Plan because it will assist in quantifying key assumptions related to the business going forward. The Business Plan will indicate concrete decisions/ targets that will affect the future of Shane's business. Shane may decide on 5% increase in sales revenues, increased profits, identification of new market segments or identification of areas for cost reductions, all of*

*which contribute to improved decision making by Shane Noble. By the same token, it is acknowledged that the business plan is based on estimates and Shane cannot predict the future. However, it will establish targets and reduce risk where it is known to exist.*

Level 4 [19 marks – 25 marks]

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the use of a Business Plan for decision making purposes by the owner of Framing Fantastic.
- Highly appropriate, clear and logical judgement of the use of a Business Plan for decision making purposes by the owner of Framing Fantastic, based on well focused and sound analysis.
- Thorough use of relevant source material to address the use of a Business Plan for decision making purposes by the owner of Framing Fantastic.
- An excellent quality of written communication.

### **Advice on Marking Levels**

Level response marks are broken down into levels, each level has their own descriptor, i.e.

Level 1	Basic response
Level 2	Satisfactory response
Level 3	Good response
Level 4	Excellent response

Each descriptor shows a description of the response of the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

Before application of mark scheme, read the candidates answer script, annotate as instructed K & U, App, An, and EV where appropriate. You then apply the mark scheme.

Having completed the annotation, you will determine the lowest level that marks the descriptor for that level. When determining a level you must look at the overall quality of the students script response, this is a positive exercise and the purpose is not to look for specific points that the student may not performed well in.

If the answer covers all the AOs across different levels you should use best fit approach, decide on a level and then use the variability of the answer to determine the mark within that level. If the answer has predominant elements of level 2 and some level 3 elements, then you would select level 2 and award a mark near the top to level 2 as there are elements of level 3 i.e. best fit.

Once you have determined a level, you must decide on the mark within that level.

Having looked at the lowest level you might determine that it definitely meets the description then move to the next level and again decide if the answer meets the description for that level. This will continue until you match the answer with the descriptor.

NB: When marking a candidate's response you must determine the most appropriate level according to its overall quality. Then allocate a single mark within that level. Bear in mind the different relative assessment objectives for each question both at AS and A2.





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