A-level

BUSINESS

7132/3

PAPER 3 BUSINESS 3

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Marking guidance
- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a limited response? A reasonable one? A good one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at; refer back to standardisation scripts regularly.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response 'well-argued' but does not focus fully on the issue of 'long term' feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

KU	Knowledge and understanding – used to credit knowledge of the specification **and also to acknowledge 'points' made in relation to the question,** perhaps explained, but once the point has some analytical dev, annotate AN or ARG
Bal	Balanced response, eg both sides **acknowledged** with **at least a valid ARG** on either side
AN	Analytical but **lacks** context, ie a theoretical line of argument
R	Argument (analysis **in context**)
DP	Developed argument (**well-developed analysis in context**)
Add in a comment box	Range of arguments, ie **two** ARG's presented
Eval	Judgement with support
Q?	Losing/lost focus – not fully focused on the demands of the question
BD	benefit of doubt – **though there is some uncertainty over the student's meaning**, the point or aspect of the argument will be accepted as valid, thus creditworthy
NR	Not answering the question - response has drifted from answering the question set. When using, be sure to read the whole response carefully – students will often drift back to answering the question later in their response – normal annotation should resume whenever they come back to addressing the demands of the question
O	own figure rule – to be annotated where a valid argument develops following a miscalculation (ie a wrong answer is used correctly)
	Indicates that the point has been noted, but no credit has been given – **please check the whole page**

Tick ✔	ONLY used to show a correct calculation – **please use KU when annotating valid points**
Cross ✘	to show an incorrect calculation or a clearly incorrect link in a chain of logic – if in doubt, do not cross, use BOD
? ?	Meaning unclear
Add comment box	Repetition

0	1	Analyse the benefits to stakeholders of the rise in the share price of Sunport PLC.

[12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

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: • 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.	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: • 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.	5–8
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	1–4

The demands of this question are:
• understand benefits of an increase in a share price
• link these benefits to Sunport PLC's stakeholders
• to analyse two benefits.

Indicative content:
• shareholders will see an increase in the value of their holding
• senior managers can raise finance more easily by selling shares – may be needed to implement new strategy
• as senior managers receive shares as part of their pay package, an increased share price will benefit them financially at a personal level
• may mean less interference from shareholders – there was some concern over Martin's prioritisation of CSR, but an increased share price can hold that pressure at bay – again, senior managers benefit
• increased share price for a major PLC can generate positive publicity in the media – useful for managers
• less likely to be taken over as the higher share price would increase market capitalisation meaning any bidder would need to pay more – probably good news for employees.

0 2	Using **Appendix B** and **Appendix C**, analyse why Sunport PLC chose a multi-domestic strategy for its food divisions.
	[12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

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: • 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.	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: • 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.	5–8
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	1–4

The demands of this question are:
• shows understanding of a multi-domestic strategy
• uses information from Appendix B and the case study to show pressure for local responsiveness is high
• uses evidence from Appendix C to show pressure for global integration is low.

Indicative content:
• multi-domestic suits a situation where there is high pressure for local responsiveness and low pressure for global integration
• the data in Appendix B shows great variation in consumer tastes between different countries. The need to respond to local tastes should be clear from this – a standardised product would not be able to meet these differences
• Appendix C suggests little benefit from operating on a global scale.

0	3	To what extent is changing to cheaper suppliers a good decision for Sunport PLC?

[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, 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: • 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: • 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: • 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	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • 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 this question are:
- analyses the impact of changing to cheaper suppliers on Sunport PLC
- makes a justified judgement on the impact of changing to cheaper suppliers on Sunport PLC.

Indicative content:
- recent success has been based on building long-term partnerships with suppliers. Product development and delivery reliability may suffer if Sunport PLC changes suppliers
- quality of products may suffer
- in the food division, economies of scale are harder to achieve, changing to cheaper suppliers may be hard
- the company may be accused of failing to meet their responsibility to existing suppliers – generating unfavourable publicity
- cheaper suppliers should enable the company to boost gross margins, assisting in the goal of boosting operating margins
- changing to cheaper suppliers seems part of a coherent strategic change within the business.
- Current operating margin is 9.44%, reducing cost of sales should move this closer to Elaine's 12% target

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the extent to which the benefits of finding new, cheaper suppliers might outweigh the drawbacks to Sunport PLC, given its current and future circumstances.

0 4	Elaine's view is that Personal Care was Sunport PLC's most successful division in Europe in 2019. To what extent do you agree with Elaine's view? You should support your answer using **Appendix D** and the **other information provided**. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, 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: • 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: • 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: • 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 | **A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that:
• 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 this question are:
• uses data from Appendix D to analyse the performance of the three divisions
• makes a justified judgement on which division performed best in 2019.

Indicative content:
• from a financial perspective only, Elaine's view is valid – the Personal Care division had the highest margin, it was higher than Elaine's new target of 12% and the overall company margin in 2019 of 9.4%
• from a learning and growth perspective, Household Cleaning performed best on both indicators. With both a high staff retention, and an indication of the highest level of employee engagement of the three divisions, staff here are likely to be in a position to contribute most to the company's current and future success – suggesting Elaine's view is wrong
• Household Cleaning also performs best from an internal process perspective, being the only division meeting the company target for recycled packaging materials and more new products in development than the Personal Care division suggesting Elaine's view is wrong
• from a customer perspective, Household Cleaning again comes out best, with a 90% recommendation rate. Although Personal Care is not too far behind on 80%
• stronger arguments may recognise that the different types of product may naturally lead to different levels of performance on different measures, eg Household Cleaning packaging may be more naturally suited to the use of recycled materials than packaging for Personal Care products.

Evaluation
An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of the relative performance in financial and non-financial terms.

Given the importance of the balanced scorecard approach to the business under Martin, Household Care clearly shows the best all-round performance, with its only major weaknesses being profit margin – though this may be the result of the type of product being sold.

Given Elaine's focus on profit margins, Personal Care would be the best performer, though Martin was in charge during 2019, so his balanced scorecard approach would be the best way to judge success during that year. As the business' strategy changes and Elaine shifts the priority to profitability, the metrics used on the balanced scorecard may be adjusted.

| 0 | 5 | Whereas Martin delegated most decisions, Elaine will make decisions and then tell managers what they have to do. |

To what extent is this change in leadership style likely to help the company achieve its objective of improving profitability?

[20 marks]

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • 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 judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	17–20
4	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • 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 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.	13–16
3	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • 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.	9–12
2	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • 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 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.	5–8

| 1 | **A weak response overall lacking focus on the demands of the question**. Provides an answer to the question set that:
• demonstrates isolated or imprecise knowledge and understanding
• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question
• makes judgements or proposes solutions based on assertions. | **1–4** |

The demands of this question are:
• demonstrates a clear understanding of both 'consultative and 'tell' leadership styles (explicit reference to Tannenbaum and Schmidt is not required)
• analyses the impact of a change of style on Sunport PLC's ability to improve profitability
• makes a justified judgement on how helpful the change to a sell style will be to Sunport PLC in achieving its new objective.

Indicative content:
• Elaine's style of management involves far greater use of the manager's authority than Martin's style. This may allow for quicker decisions, as well as moving the business towards a more common approach throughout its different regional and product divisions. This may enable some cost-cutting, boosting margins
• change tends to rely on a clear vision for the future – Martin's vision was clear, will Elaine be able to create a vision as effectively, given that the pursuit of profit may be less likely to inspire staff than Martin's vision? If employee engagement falls, this may make the objective harder to achieve
• as some of Elaine's changes are unlikely to be popular with employees, her style may be necessary in order to overcome potential resistance to change from staff (especially when handling the removal of some duplicated activities). If costs are to be cut, her style may make this happen quicker, boosting margins
• the change in style may have a demotivating effect on staff, especially managers used to being able to contribute to the decision-making process – this may decrease productivity, raising unit costs and in fact damaging profitability.

Evaluation
An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on boosting profitability rather than a general judgement on which is a better style of leadership.

It seems likely that in order to pursue Elaine's strategy, her style may be needed, although it would be valid to question whether her strategy and style would lead to short-term improvements that are eroded in the long-term if employee engagement falls.

0	6	To what extent does a commitment to Corporate Social Responsibility decrease profit for **all businesses**?

[24 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	21–24
4	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	16–20
3	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	11–15
2	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	6–10

1	**A weak response overall lacking focus on the demands of the question** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of this question are:
• analyses the impact of socially responsible behaviour on profit
• makes a justified judgement on whether CSR will decrease profit for all businesses.

Indicative content:
• CSR offers opportunities to charge premium prices
• CSR can lead to reduced costs – reduced marketing budgets with greater customer loyalty, the possibility of lower ongoing energy costs of punitive taxes and duties are avoided, less compensation or fines paid out if local communities and the environment are not damaged
• CSR can increase costs – through the use of more expensive suppliers or through reduced productivity if processes are adjusted
• if rivals already practice good CSR, revenues may not rise by adopting the stakeholder principle, but a decline may be prevented – thus protecting, but not increasing profit
• a commitment to good CSR may be superficial rather than leading to action, in which case benefits may be short-lived.

Evaluation
An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations in which the statement could be true weighed up against situations in which CSR will not lead to increased profitability.

The extent to which profit is likely to increase depends on:
• nature of the target market – end consumers may be more concerned with CSR than customers of businesses
• nature of business – determining the extent to which CSR does increase cost
• relative CSR of rival firms which will determine the extent to which good CSR is a point of differentiation.

Overall:
• it might be expected that CSR will increase costs, thus damaging profit
• but there is scope to increase customers' perceived value through CSR
• it is unlikely to be true for all businesses.

	AO1	AO2	AO3	AO4	TOTAL	Quant
1	3	3	6		12	
2	3	3	6		12	
3	2	3	4	7	16	
4	2	3	4	7	16	16
5	4	3	5	8	20	
6	5	4	6	9	24	