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**A-LEVEL**  
**Business**

7132/1  
Mark scheme

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7132  
June 2018

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Version/Stage: 1.0 Final

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

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

Further copies of this mark scheme are available from [aqa.org.uk](http://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 good response? A reasonable one? A limited 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 drifting when you have a big centre; refer back to standardisation scripts.
- 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.

**Section A**

**Objective Test Answers**

**Total for this section: 15 marks**

<b>Question number</b>	<b>Answer</b>
1	D
2	D
3	B
4	B
5	C
6	D
7	D
8	A
9	A
10	D
11	C
12	D
13	A
14	B
15	D

<b>1</b>	<b>6</b>	Calculate the weekly output of the firm in units.	<b>[4 marks]</b>
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**Marks for this question: AO1 = 2 and AO2 = 2**

**Answer = 50 000 units (4 marks)**

Broken down as follows:

Turnover (or Total Revenue) = Total Costs + Profit = £80 000 + £20 000 = £100 000 **(1 mark)**

Labour costs = 42% of £100 000 = £42 000 **(1 mark)**

Labour costs per unit = 84 pence.

Therefore weekly output = £42 000/ 84 pence **(1 mark)**

= 50 000 units of output **(1 mark)**

Alternative approach:

Labour costs per unit = 25 \* 84 pence = £21 **(1 mark)**

Labour costs = 42% of £100,000 = £42,000 **(1 mark)**

£42,000/£21= 2000 employees **(1 mark)**

2000 \* 25 = 50,000 units **(1 mark)**

Markers notes:

Answer of £50000 = **3 marks** (wrong units)

Answer of 40,000 **with working** ( 42% of £80,000 = £33,600 = 1 mark ; £33,600/84 pence = 40,000 units = second mark) (i.e.based on labour costs as % of total costs not turnover ) **2 marks**

Credit other relevant approaches.



<b>1</b>	<b>8</b>	<p>The table below shows the changes in the average annual labour turnover rates for BBB plc and its competitors.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Time period</th> <th style="text-align: center;">Annual labour turnover (%) (average for BBB plc)</th> <th style="text-align: center;">Annual labour turnover (%) (average for competitors)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1978 – 1987</td> <td style="text-align: center;">15</td> <td style="text-align: center;">15</td> </tr> <tr> <td style="text-align: center;">1988 – 1997</td> <td style="text-align: center;">12</td> <td style="text-align: center;">18</td> </tr> <tr> <td style="text-align: center;">1998 – 2007</td> <td style="text-align: center;">10</td> <td style="text-align: center;">18</td> </tr> <tr> <td style="text-align: center;">2008 – 2017</td> <td style="text-align: center;">8</td> <td style="text-align: center;">23</td> </tr> </tbody> </table> <p>Analyse how the changes in these data over time might have affected the ability of BBB plc to provide higher-quality products than its competitors.</p> <p style="text-align: right;"><b>[9 marks]</b></p>	Time period	Annual labour turnover (%) (average for BBB plc)	Annual labour turnover (%) (average for competitors)	1978 – 1987	15	15	1988 – 1997	12	18	1998 – 2007	10	18	2008 – 2017	8	23
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1978 – 1987	15	15															
1988 – 1997	12	18															
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2008 – 2017	8	23															

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

Level	The student will typically demonstrate:	Marks
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>



**The demands of this question are:**

- to examine changes in the data
- to analyse the ability of BBB to provide higher quality products than its competitors.

**Indicative content**

- identifying the fact that BBB plc's labour turnover has fallen over time whilst the labour turnover of competitors has risen
- explaining different ways in which a relatively low/falling level of labour turnover can impact on a business's ability to produce high quality products (positively or negatively)
- an experienced workforce is likely to maintain consistent levels of quality because everyone understands their role  
low labour turnover can mean that new ideas are not coming into the business and so methods of production may be less suited to customers' changing views of quality than its competitors; the lack of new idea may limit the scope for new, innovative and high quality products  
low labour turnover can reduce recruitment costs and thus reduce unit costs, providing more resources for other activities such as quality improvement.

**Markers notes:**

- accept arguments based only on 2008-2017 data
- candidates may relate to positive or negative impacts on quality
- arguments developed but without link to quality: mid L2 maximum;
- if no sense of trend, competitors or quality (i.e. general arguments about labour turnover); L1

<b>1</b>	<b>9</b>	Analyse how introducing intrapreneurship can improve the financial performance of a business.	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
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**The demands of this question are:**

- analysing how introducing intrapreneurship might lead to an improvement in financial performance.

**Indicative content:**

- intrapreneurship encourages greater creativity and innovation
- intrapreneurship gives more independence to members of the workforce
- intrapreneurship provides an environment within which risk-taking can be encouraged.

**These factors lead to:**

- a potential for greater new product development with financial advantages from reaching new consumers and adding more value
- a greater chance of successful innovation because of the resources available to support innovation leading to higher revenues
- greater productivity and thus lower costs because the employees involved are more prepared to give time and effort to new ideas.
- Markers note:

- Response focused on entrepreneurship : mid Level 2
- Financial performance: accept broad interpretation e.g impact on costs, revenues, profits, cash

<b>2</b>	<b>0</b>	Analyse how delayering might affect the level of profit of a business.	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
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**The demands of the question are:**

- the consequences of delayering in a business
- in relation to the profits of the business.

**Indicative content:**

- delayering leads to a wider span of control. This might motivate a manager who perceives their role as having greater status, leading to greater effort and output
- delayering will increase the workload of managers and thus reduce their efficiency; consequently leading to higher costs or lower revenue
- this wider span of control may worsen communication which can lead to mistakes and poorer (less efficient) customer service
- removing layers of management may give greater autonomy (a motivating factor) to subordinates; thus improving efficiency
- vertical communication may improve with fewer layers and so workers may make quicker decisions and satisfy customer needs more promptly.

Max mid L2 if generic consequences of delayering without link to profit.

<b>2</b>	<b>1</b>	Evaluate the extent to which the use of stakeholder mapping can help the managers of a public limited company to manage change more effectively. <b>[25 marks]</b>
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**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	<b>21–25</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>16–20</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>11–15</b>

<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>6–10</b>
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul>	<b>1–5</b>

**The demands of the question are on:**

- the extent to which
- stakeholder mapping can help managers of a plc
- to manage change more effectively.

**Indicative content may include:**

- stakeholder mapping enables managers to recognise the stakeholder groups who have the greatest interest in a particular issue
- it also enables managers to recognise which stakeholder groups have the most power to influence a particular decision.

This allows managers to:

- focus on managing change through decisions that are most likely to be supported by stakeholders with the most power or influence
- ensure that stakeholders with the most interest are involved in the decisions
- recognise likely areas of conflict that might arise so that appropriate actions can be taken (such as gaining the support of one stakeholder group in order to counter opposition from another group)
- negotiate with groups who might disagree with a strategy, in order to offer benefits from other decisions.

The extent to which stakeholder mapping can help managers to manage change more effectively may depend on:

- whether the change is arising from internal factors or the external business environment
- the potential impact of the change on key stakeholder groups; how significant any benefit or negative consequence may be for a group
- the extent to which stakeholder groups share common interests
- the extent to which there is conflict between different stakeholder groups
- whether stakeholder mapping can provide an accurate picture of the power and interest of different stakeholder groups on a particular issue

- how stakeholder mapping is used; it may identify the position of different groups but managers still have to manage the change. It may help identify the relative power and interest of groups and therefore how managers may want to respond to them but the right actions still have to be chosen and implemented effectively. Stakeholder mapping may help categorise where groups are and focus thinking on what to do with different groups but this does not ensure change is actually managed effectively.

<b>2</b>	<b>2</b>	<p>A UK business has experienced slow growth in sales in recent years. It has decided to achieve higher growth through new product development.</p> <p>Do you believe that this is a more risky strategy than market development? Justify your view.</p> <p style="text-align: right;"><b>[25 marks]</b></p>
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**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	<b>21–25</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>16–20</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>11–15</b>



<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>6–10</b>
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul>	<b>1–5</b>

**The demands of the question are on:**

- assessing the risk of trying to achieve sales growth through new product development
- contrasting this risk with the risk involved in market development as an alternative strategy
- evaluating the relative risks in the context of a business that has experienced slow growth in recent years.

**Indicative content may include:**

- moving away from existing products may lead to a loss of consumer loyalty
- new products may complement existing products and thus boost sales
- existing products may be losing their appeal, thus reducing the risk from changing products
- widening the product range may attract new market segments
- new market development may mean the business has less understanding of its target market
- it may be more costly to reach new markets, particularly if this involves overseas markets
- lower sales suggests that there is spare capacity and so this strategy may lower unit costs.

The extent to which new product development is more risky than market development will depend on:

- the cause of slow growth in recent years
- the impact on existing consumers
- the ease of attracting new customers
- the quality of the business's new product development relative to its marketing skills
- external factors, such as the actions of competitors, suppliers and customers
- obstacles to the development of new products and markets
- how "new" the new product is
- how "new" or different the market is under a market development strategy
- may be short term and long term issues, eg implementing a market development strategy may be less risky short term but unless the business has new products being developed this might cause problems long term.

<b>2</b>	<b>3</b>	To what extent do you think that UK businesses will experience a fall in profit if governments limit free trade by adopting more protectionist policies?	<b>[25 marks]</b>
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**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

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<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>16–20</b>
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**The demands of the question are on:**

- examining the consequences of a fall in free trade and a rise in protection, globally
- analysing how these consequences will affect the levels of profit in UK firms
- evaluating the extent to which these changes will lead to a fall in profit.

**Indicative content may include:**

- on a global scale, free trade encourages free movement of goods and services and thus provides an environment in which greater efficiency of production is encouraged
- free trade enables countries to specialise in providing goods that suit their skills and resources
- protectionism restricts trade and thus limits the benefits of free trade
- protectionist policies will make it more difficult to export goods
- protectionist policies will make it more difficult to import raw materials.

**BUT**

- protectionism will reduce competition from overseas in the UK market
- protectionism may lower global benefits of free trade and thus reduce living standards, thus lowering sales globally
- protectionism may help small firms to enter markets that have been dominated by overseas competitors
- protectionism is likely to lead to changes in international location strategies of businesses.

**The extent to which UK firms will experience a fall in profit will depend on:**

- whether they are an exporter, importer or purely a domestic business
- what protectionist measures are introduced and how long for
- the impact of changes in exchange rates arising from protectionist policies
- the impact on access to the domestic market and overseas markets
- whether a reduction in competition will lead to higher prices
- the extent of these changes, eg how many countries involved
- the extent to which businesses have expected and prepared for these changes.

<b>2</b>	<b>4</b>	Are demographic factors now more significant than economic factors in influencing the performance of UK businesses? Justify your view.	<b>[25 marks]</b>
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**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	<b>21–25</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>16–20</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some of the demands on the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>11–15</b>

<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>6–10</b>
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul>	<b>1–5</b>

**The demands of the question are on:**

- the impact of demographic factors on the performance of UK businesses
- the impact of economic factors on the performance of UK businesses
- the extent to which demographic (or economic) factors have a greater or lesser impact on the performance of UK businesses.

**Indicative content may include:**

**Demographic factors** may influence performance of businesses:

- net migration leading to changes in total demand and/or demand for certain products
- net migration impacting on the quantity and quality of the labour market
- changes in age distribution leading to changes in demand
- changes in age distribution leading to changes in the nature of the workforce
- changes in total population affecting aggregate demand and the labour market.

**Economic factors** may influence performance of businesses:

- changes in consumer incomes affecting overall demand and the demand for individual products
- monetary policy and higher/lower interest rates leading to increased/decreased business costs
- monetary policy and higher/lower interest rates leading to decreased/increased demand by consumers
- relative changes in inflation leading to changes in competitiveness with other countries
- exchange rate changes influencing costs of imports and prices and demand for exports
- fiscal policy and taxation affecting demand and costs
- changes in EU membership and its impact on business performance.

**The extent to which one factor has a greater influence depends on:**

- the extent of the individual changes
- the degree to which changes are universal or just affect the UK
- the nature of the businesses being considered.

**OVERALL:**

- it might be expected that economic changes are more varied and thus likely to have a greater impact, particularly in the short-run
- demographic changes tend to be more gradual and thus have a long-term rather than short-term impact
- economic changes can be cyclical.

Overall evaluation will be based on the arguments presented. However, **good/excellent evaluation** will require consideration of both demographic and economic factors.