



GCE A LEVEL MARKING SCHEME

SUMMER 2024

**A LEVEL
BUSINESS - COMPONENT 2
A510U20-1**

About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE A LEVEL BUSINESS – COMPONENT 2

SUMMER 2024 MARK SCHEME

Q1	Explain why a business may choose to rationalise. [4]	
Band	AO1	AO3
	2 marks	2 marks
2	2 marks Good knowledge of rationalisation A detailed definition is likely to be given	2 marks Good explanation of why a business may choose to rationalise The explanation will attempt to develop a chain of reasoning
1	1 mark Limited knowledge of rationalisation A limited definition/explanation is shown	1 mark Limited explanation of why a business may choose to rationalise The arguments made are likely to be brief and undeveloped
0	0 marks No valid knowledge of rationalisation	0 marks No valid analysis

Indicative content:

Rationalisation is the reorganisation of a business in order to increase its efficiency. This reorganisation normally leads to a reduction in business size, a change of policy or an alteration of strategy relating to particular products.

The main reason for a business to rationalise is to improve its efficiency, and this is often done to reduce costs. Reducing costs will make them more efficient as it would reduce its inputs, but only if output is maintained.

Another reason could be to make the business smaller to benefit from being in a niche market, or the wish of the owners is to downsize.

Another reason could be to reduce the impact of diseconomies of scale if the business has grown too big.

Credit any other valid answer.

Q2	To what extent would this information be useful to a new company considering entering the music streaming market?			[6]
Band	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	
2	<p>2 marks</p> <p>Good application to the given data</p> <p>There is some direct and clear reference made to the data in the diagram</p>	<p>2 marks</p> <p>Good analysis of the usefulness of the pie chart to a new business entering the market</p> <p>Arguments made are well developed, with logical chains of reasoning</p>	<p>2 marks</p> <p>Good evaluation of the usefulness of the pie chart to a new business entering the market</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support their judgement for this band</p>	
1	<p>1 mark</p> <p>Limited application of the given data</p> <p>The response is mainly theoretical, with limited reference made to the data</p> <p>Reference to the context is likely to be superficial</p>	<p>1 mark</p> <p>Limited analysis is made of the usefulness of the pie chart to a new business entering the market</p> <p>The arguments made are likely to be brief and undeveloped</p>	<p>1 mark</p> <p>Limited evaluation of the usefulness of the pie chart to a new business entering the market</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one-sided and unbalanced</p>	
0	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>	

Indicative content:

The information in the pie chart may be useful to a new business considering entering this market as they can assess the level of competition in the industry. This will allow them to understand the likely features of the market and help them plan their strategy accordingly. For example, this could be considered to be an oligopoly and so the business can plan to be price competitive and perhaps expect some barriers to entry.

The new business could also look at the competition with the largest market shares to be able to judge their strategy and potentially adapt theirs in response.

However, the data is very limited as it does not show any historical data in comparison, to assess the likely changes and see which competitors may be growing or shrinking. This is therefore likely to limit the usefulness of this data, and it would be more helpful to see changing figures over time. In addition, it is only for three months so the time frame is very narrow. The data is from March 2021 and is out of date, especially as this is a fast moving market.

Overall, whilst this is a good starting point as an indication into the level of competition and perhaps identify areas of the market to research or benchmark against, the lack of detail gives it limited use.

Credit any other valid answer.

Q3 (a)	With the use of an example, describe what is meant by current liabilities.	Total
	<p>AO1 – 3 marks</p> <p>Award 1 mark for a limited definition Award 2 marks for a detailed definition Award 1 mark for a correct example</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • These are debts that the business owes [1] • Usually repaid within 1 year (short term) [1] • Arise as part of day-to-day business practices [1] <p>Examples include overdraft, trade creditors (trade payables), tax still to be paid such as VAT, unpaid bills.</p> <p>Accept any other valid example and description.</p>	3

Q3 (b)	Calculate the net profit margin for 2022 and 2023. Give your answer to 2 decimal places.	Total
	<p>AO1 – 1 mark AO2 – 2 marks</p> <p>Award 1 mark for the correct formula for net profit margin (NPM) Award 1 mark for correctly calculating both net profit figures Award 1 mark for correctly calculating both NPM figures</p> <p>2022:</p> $188 - 116 = 72$ $72/292 * 100 = \underline{24.66\%}$ <p>2023:</p> $214 - 128 = 86$ $86/386 * 100 = \underline{22.28\%}$ <p>If the correct final answers are given but are rounded incorrectly or not expressed to 2 decimal places, deduct 1 mark.</p> <p>If the correct final answers are given but without a % sign, deduct 1 mark.</p> <p>A maximum of 1 mark can be deducted for incorrect presentation.</p> <p>Correct answer with no workings can be awarded full marks.</p>	3

Q3 (c)	Calculate the acid test ratio for 2022 and 2023. Give your answer to 2 decimal places.	Total
	<p>AO1 – 1 mark AO2 – 2 marks</p> <p>Award 1 mark for the correct formula for the acid test ratio Award 1 mark for each correctly calculated acid test ratio</p> <p>2022:</p> $\frac{54 - 26}{35} = 0.80:1$ <p>2023:</p> $\frac{76 - 28}{57} = 0.84:1$ <p>If the correct final answers are given but are rounded incorrectly or not expressed to 2 decimal places, deduct 1 mark.</p> <p>If the correct final answers are given but not expressed in ratio format (:1), deduct 1 mark.</p> <p>A maximum of 1 mark can be deducted for incorrect presentation.</p> <p>Correct answer with no workings can be awarded full marks.</p>	3

Q3 (d)	With reference to the data and your calculations for 3(c), evaluate one way Bread and Butter Ltd could improve its liquidity. [4]	
Band	AO2	AO4
	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to both the calculations from 3(c), and the given financial information</p> <p>There is direct and clear reference to the context and the data given</p>	<p>2 marks</p> <p>Good evaluation of a method of improving the liquidity position of the business</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>Some judgement is likely to be based on the financial position and information provided</p>
1	<p>1 mark</p> <p>Limited application to the either the financial information provided or the given context</p> <p>The response is mainly theoretical, with limited reference made to the data given</p>	<p>1 mark</p> <p>Limited evaluation of a method of improving the liquidity position of the business</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p>
0	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

As the acid test ratio (ATR) for both years shows an answer of below 1:1 this means that the liquidity position could be worrying as the bakery may struggle to meet its current liabilities with its current assets.

Ways to improve liquidity:

- Reduce current liabilities: These have increased by almost 63% in one year. Whilst it is difficult to make specific recommendations as we cannot see the breakdown of the current liabilities, it could be to pay off an overdraft the business may be using, or to repay some of the trade credit it has been given from its suppliers. This could be through using cash or shareholders' funds. Whilst this may worsen the liquidity position in the short term as they would reduce the current assets, the working capital position of the future would be improved if current liabilities are reduced.
- Increase current assets. However, stock is an illiquid asset as it is not readily available to pay debts, and as most of the stock for a bakery is likely to be perishable then this would not be a good idea. Equally, the liquidity position on the balance sheet may look improved if the debtors figure was higher, but this is money that has not yet been received from customers and if it is late or does not come at all then this would not improve their liquidity.
- Turn illiquid current assets into liquid current assets. e.g. sell stock to improve cash or use JIT.

Overall, the large increase in current liabilities from 2022 to 2023 is the worrying figure, so this would be the best place to focus in the short term.

Credit any other valid answer.

OFR applies.

Q4 (a)	Identify the following pieces of information from the diagram above:	Total
	<p>AO2 – 3 marks</p> <p>Award 1 mark for each correctly calculated sub part.</p> <p>i) Duration of activity B</p> <p>2 months [1]</p> <p>ii) Latest finishing time of Activity F</p> <p>13 months [1]</p> <p>iii) Earliest start time of Activity J</p> <p>14 months [1]</p>	3

Q4 (b)	Mark the critical path on the diagram	Total
	<p>AO2 – 1 mark</p> <p>The critical path must be <u>fully</u> complete to award the mark.</p>	1

Q4 (c)	Using the information in the diagram, recommend one way that the completion of the project could be brought forward to ensure the 15 month deadline is met. [4]	
Band	AO2	AO4
	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to the critical path diagram and the response is likely to use specific figures from the diagram to support the response</p> <p>There is direct and clear reference to the context and the data given</p>	<p>2 marks</p> <p>Good evaluation of how the project completion could be brought forward</p> <p>The candidate makes some judgements and attempts to support their evaluation</p> <p>Some judgement is likely to be based on the context and/or the critical path diagram</p>
1	<p>1 mark</p> <p>Limited application to the critical path diagram or the context</p> <p>The response is mainly theoretical, with limited reference made to the data given</p>	<p>1 mark</p> <p>Limited evaluation of how the project completion could be brought forward</p> <p>Unsupported and limited judgements are made and are often likely to be superficial and not in context</p>
0	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

The completion date of the project is currently at 17 months according to the diagram, and the request is that it would be completed in 15 months, therefore the project needs to be completed 2 months quicker than planned.

The most effective way to do this is to shorten the length of some of the activities on the critical path, so either B, C, D, F, H, J or K. This will reduce the overall duration. For example, Activity F takes 7 months, and there are 4 activities that can only take place once this is completed, and with 4 months spare float time on activity E. However, the creation of the habitat relies on the development of nature so it may be difficult to speed it up, unless perhaps looking for pre grown trees and shrubs etc. However, this is also likely to increase the cost of the project.

Methods to shorten the critical path:

- Pay overtime
- Hire more workers
- Outsource some of the activities to experts to complete more quickly
- Using resources from float activities to critical activities

Any valid evaluation of how to reduce other critical activities can be accepted.

OFR applies for if the candidate has identified the incorrect critical path.

Q4 (d)	Calculate the price elasticity of demand for an admission ticket into the zoo. [3]	Total
	<p>AO1 – 1 mark AO2 – 2 marks</p> <p>Award 1 mark for the correct formula of PED Award 1 mark for the correct calculation of the % change in price Award 1 mark for the correct calculation of PED. OFR applies.</p> <p><u>Percentage change in quantity demanded</u> Percentage change in price [1]</p> <p>% change in demand: -9% (given in the case)</p> <p>% change in price: $\frac{28 - 25}{25} \times 100 = \mathbf{12\%}$ [1]</p> <p>Price elasticity: $\frac{-9}{12} = \mathbf{-0.75}$ [1]</p> <p>Deduct one mark if the final answer is expressed as a % Deduct one mark if the final answer is not expressed as a minus</p> <p>Deduct a maximum of one mark for incorrect presentation</p>	3

Q4 (e)	Using both quantitative and qualitative information, to what extent do you think the Board of Directors is right to increase the admission price? [6]		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to the context and the data</p> <p>The candidate uses both the quantitative and qualitative data</p> <p>There is consistently direct and clear reference made to the data</p>	<p>2 marks</p> <p>Good analysis of the information and how it will inform the decision to raise the price</p> <p>Analysis is well developed, with logical chains of reasoning</p>	<p>2 marks</p> <p>Good evaluation of the decision to raise the ticket price</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support their judgement</p>
1	<p>1 mark</p> <p>Limited application to the context and/or the data</p> <p>The candidate only uses either the quantitative or the qualitative data</p> <p>The response is mainly theoretical, with limited reference made to the context and/or the data given</p>	<p>1 mark</p> <p>Limited analysis is made of the information and how it will inform the decision to raise the price</p> <p>Analysis is likely to be brief and undeveloped</p>	<p>1 mark</p> <p>Limited evaluation of the decision to raise the ticket price</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one sided and unlikely to use the data given</p>
0	<p>0 marks</p> <p>No application to the quantitative or qualitative data</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

Arguments for increasing the price:

As calculated in part a of the question, the admissions ticket to the zoo is price **inelastic**. This means that a rise in the price of the ticket will see a less than proportional drop in demand, and so more revenue will be made overall. Therefore, based on this information alone, it would be a good decision to raise the price of the ticket.

Additionally, another argument in support of the decision is that it will help to recover the cost of the enclosure more quickly, therefore from an investment appraisal point of view, it is a good idea to raise the price.

Candidates may possibly refer to the fact that visits to the zoo are often through coupons/special offers etc, so the general ticket price may not have much of an impact on these purchases.

Arguments against increasing the price:

There will be some loyal and regular customers coming to the zoo who may be put off by the price increase and may feel as though it is unfair.

The zoo may have some season ticket holders and so the new enclosure will encourage those customers to visit again/more frequently. Although the change in price will not affect these customers, visitors to the zoo are likely to purchase refreshments and souvenirs when they are there so this higher volume of visits could increase the overall revenue.

Possible points for conclusion:

Overall, based on the quantitative information, a ticket price increase is a good idea.

Depends how effectively the new enclosure is promoted as to whether the customers perceive the value of the ticket to have increased.

There are other ways to purchase tickets such as season tickets and vouchers, so overall the price increase may not have a huge effect, and the payback time will be quicker. OFR applies.

Credit any other valid answer.

Q5 (a)	Using the information in Figure 2, calculate the percentage change in the number of sports retail stores in the UK from 2016 to 2019.	Total
	<p>AO2 – 2 marks</p> <p>Award 1 mark for the difference</p> <p>4904 – 5159 = -255 (must be expressed as a minus)</p> <p>Award 1 mark for correct answer</p> $\frac{\text{Difference}}{\text{Original}} \times 100 = \frac{-255}{5159} \times 100 \quad [1]$ $= -4.94\% \quad [1]$ <p>Answer should be given to 2 decimal places, but will accept -4.9%, -4.943%, or -4.9428%.</p> <p>If the answer is shown without the minus sign, or not indicated as a fall, deduct 1 mark. (Will accept 'a 4.94% decrease').</p> <p>If the final answer is not expressed as a % deduct one mark.</p> <p>N.B Max 1 mark to be deducted for presentation.</p> <p>Full marks can be awarded for the correctly expressed correct final answer even if no workings shown.</p>	2

Q5 (b)	Define the term multi-channel distribution.	Total
	<p>AO1 – 2 marks</p> <p>Award 1 mark for a limited definition of multi-channel distribution</p> <p>Award 2 marks for a detailed definition of multi-channel distribution</p> <p>Indicative content:</p> <p>A combination of distribution channels are used to get the product from manufacturer to consumer. [1]</p> <p>For example, many businesses will sell through a retailer as well as having an online presence. [1]</p> <p>Increases the ways that consumers can purchase the product from. [1]</p> <p>Credit any other valid answer.</p>	2

Q5 (c)	With reference to opportunities and threats, evaluate Suzanne and David's decision to enter the sports retail market. [12]		
Band	AO2	AO3	AO4
	4 marks	4 marks	4 marks
3	<p>4 marks</p> <p>Excellent application to the data provided and the sports retail industry</p> <p>The candidate uses several pieces of data from the stem</p> <p>There is consistently direct and clear reference made to the data</p>	<p>4 marks</p> <p>Excellent analysis of the information and how it will inform the decision to enter the market</p> <p>Analysis is well developed, with logical chains of reasoning</p>	<p>4 marks</p> <p>Excellent evaluation of the data as part of an analysis of the opportunities and threats that will help aid the decision</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>It is extremely likely that there will be an overall conclusion</p>
2	<p>2-3 marks</p> <p>Good application to the data provided and/or the sports retail industry</p> <p>The data is used throughout the response and more than one piece of data will be considered</p> <p>There is some direct reference to the given data</p>	<p>2-3 marks</p> <p>Good analysis of the information and how it will inform the decision to enter the market</p> <p>The analysis will attempt to develop chains of argument</p>	<p>2-3 marks</p> <p>Good evaluation of the opportunities and threats and the decision to enter the market</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support their judgement for top marks in this band</p>
1	<p>1 mark</p> <p>Limited application to the context and/or the data</p> <p>The candidate only uses a small sample of the data and it is referenced superficially</p> <p>The response is mainly theoretical, with limited reference made to the context and/or the data given</p>	<p>1 mark</p> <p>Limited analysis is made of the information and how it will inform the decision to enter the market</p> <p>The analysis of the opportunities and threats will be brief and incomplete or undeveloped</p>	<p>1 mark</p> <p>Limited evaluation of the opportunities and/or threats and the decision to enter the market</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one sided and unlikely to use the data given</p>
0	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:**Opportunities may include:**

- The development of Athleisure and targeting new markets as the demand for sportswear grows, such as within specific age groups like the over 55's.
- The ever-increasing online market could make it easier for new entrants as the start up costs are likely to be lower and easier to target a larger number of consumers.
- Entering the industry with an ethical purpose could perhaps create a new type of brand than the big competitors to overcome some of the issues that the industry has faced.
- The market is set to grow in the future which shows there is space for new competition to enter. However, this depends if they can gain market share against the current big competitors.
- Increased focus on health and well-being drives sales in this market.

Threats may include:

- Strong competition.
- JD Sports and Sports Direct have acquired some fashion brands which could make it difficult to stock these brands or very expensive making it harder for Suzanne and David to compete, especially amongst young consumers who are driven by brands.
- Changes in market trends and fashions.
- Barriers to entry are likely to be high due to existing strong competition and high set up costs.
- The number of retail stores in the UK seems to be following a downward trend. However, this is likely to be as more shopping switches online so this could then be seen as an opportunity for new entrants.
- Ethical concerns within the industry.

Overall, it is a market that is worth investing in as it continues to grow, especially with the new trends identified such as Athleisure. However, it depends how much capital Suzanne and David have to invest as the high barriers to entry created by existing companies would be expensive to overcome. Whilst there is no information provided on the size of venture Suzanne and David are considering, it would be advisable to start with small, local stores – perhaps focussing on an ethical approach - and then seek growth as they are unlikely to be able to compete with the big players in the market.

Credit any other valid answer.

Q6 (a)	Define what is meant by organic growth.	Total
	<p data-bbox="325 230 528 264">AO1 – 2 marks</p> <p data-bbox="325 300 1038 333">Award 1 mark for a limited definition of organic growth.</p> <p data-bbox="325 333 1034 367">Award 2 marks for a good definition of organic growth.</p> <p data-bbox="325 400 587 434">Indicative content:</p> <p data-bbox="325 468 1230 535">A business will use its existing resources to grow [1] without involving any other businesses. [1]</p> <p data-bbox="325 568 1254 672">Often done through selling more of its products, opening more stores/factories to increase capacity or could be through expanding the product range or targeting new markets. [1]</p> <p data-bbox="325 705 716 739">Credit any other valid answer.</p>	<p data-bbox="1337 230 1358 264">2</p>

Q6 (b) To what extent is organic growth a better option than external growth in the supermarket industry? [12]			
Band	AO2	AO3	AO4
	4 marks	4 marks	4 marks
3	<p>4 marks</p> <p>Excellent application of the suitability of the different growth methods to supermarkets</p> <p>There is consistently direct and clear reference made to the supermarket industry</p>	<p>4 marks</p> <p>Excellent analysis of the benefits and/or drawbacks of the different growth methods</p> <p>The analysis is detailed and includes well-reasoned developments that give a good explanation of the options for growth</p> <p>Logical chains of reasoning are used</p>	<p>4 marks</p> <p>Excellent evaluation of which growth option is better for the supermarket industry</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>There will be an overall conclusion</p>
2	<p>2-3 marks</p> <p>Good application of the suitability of the different growth methods to supermarkets</p> <p>There is some direct reference to the context of supermarkets</p>	<p>2-3 marks</p> <p>Good analysis of the benefits and/or drawbacks of the different growth methods</p> <p>The analysis will attempt to develop chains of argument</p>	<p>2-3 marks</p> <p>Good evaluation of the suitability of the different growth methods to the supermarket industry</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is some reference to the context of supermarkets to support judgements</p>
1	<p>1 mark</p> <p>Limited application of the suitability of the different growth methods to supermarkets</p> <p>The candidate's response is mainly theoretical with little use of the context</p>	<p>1 mark</p> <p>Limited analysis of the benefits and/or drawbacks of the different growth methods</p> <p>The arguments are likely to be undeveloped</p> <p>The explanation will be brief</p>	<p>1 mark</p> <p>Limited evaluation of the suitability of the different growth methods is made</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p>
0	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

Organic growth (internal growth) is the expansion of the business by selling more of its products by using its existing resources and not involving any other business.

Benefits of organic growth include:

- The supermarket will have more control over the way it develops, and is growing through doing what it already knows.
- There will be no culture clash.
- It will probably be cheaper than inorganic growth, especially in the short term.
- Generally seen as less risky.

Drawbacks of organic growth include:

- It can be a slow process.
- It requires strong expertise from the managers to drive this growth.
- Can sometimes mean the business remains too small to compete with its competitors.

Benefits of external (inorganic) growth include:

- Fast method of growth.
- The business to be acquired or merged with have likely got a proven track record of success and an existing customer base and supply chain.
- Savings can be made through rationalisation.
- Benefit from synergy and economies of scale.

Drawbacks of external (inorganic) growth include:

- There is the possibility of culture clashes.
- Suffer from diseconomies of scale.
- High initial cost of purchase (if acquisition).
- Likely to be investigation from the CMA to ensure fair competition.

Credit should be given to candidates who make specific reference to benefits and drawbacks of either mergers or takeovers specifically.

Possible application/evaluation themes:

- Supermarkets are likely to expand organically naturally anyway as they are continuously looking to increase the number of stores and broaden their product ranges. Many are also targeting new markets such as Tesco expanding into several new areas including mobile phone networks and insurance.
- There is a high chance of investigation from the CMA if supermarkets are to complete external growth, as they are already big in the market place and increasing their size is likely to affect competition.
- Backwards vertical integration may be useful, although there are lots of suppliers so is likely to have limited overall impact. It could be assumed that large supermarkets are likely to bypass wholesalers in the distribution channel and buy direct from the manufacturers.
- Ultimately, different stakeholders may prefer different methods, depending on factors such as the speed of returns they are looking for, or the quality, or variety of choice etc.

There is not one best way of growth, and in reality supermarkets are likely to be consistently employing or seeking to employ organic growth. It is less common for inorganic growth to take place but could see huge rewards if it does. Whatever the method of growth chosen, it is important that it is managed effectively, otherwise it could be very costly in a number of ways.

Credit any other valid answer.

Q7	Evaluate the importance to the BBC of having a mission statement and values. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	3 marks	3 marks
3			<p>3 marks</p> <p>Excellent analysis of the importance of a mission statement and values is shown</p> <p>Analysis is well developed, with logical chains of reasoning shown and the response will be balanced</p>	<p>3 marks</p> <p>Excellent evaluation of the importance of a mission statement and values to the BBC</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>There is likely to be an overall conclusion</p>
2	<p>2 marks</p> <p>Good understanding of mission statements and/or values</p>	<p>2 marks</p> <p>Good application to the context</p> <p>There is direct and clear reference made to the context of the BBC and the given mission statement and/or values</p>	<p>2 marks</p> <p>Good analysis of the importance of mission statements and/or values is shown</p> <p>The analysis will attempt to develop chains of argument</p>	<p>2 marks</p> <p>Good evaluation of the importance of mission statements and values to the BBC or public sector organisations</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context/mission statement to support judgement</p>

1	1 mark Limited understanding of mission statements and/or values Understanding is superficial	1 mark Limited application given to the BBC The response is mainly theoretical, with limited reference made to the context Reference to the context is likely to be superficial	1 mark Limited analysis is made of the importance of mission statements and/or values The analysis is likely to be brief and undeveloped	1 mark Limited evaluation of the importance of mission statements and/or values to the BBC and public sector organisations Unsupported and limited judgements are made and are often likely to be superficial The evaluation is likely to be one sided and unbalanced and is unlikely to be given in context
	0 marks No valid knowledge	0 marks No valid application	0 marks No valid analysis	0 marks No valid evaluation

Indicative content:

A mission statement is a broad statement of an organisation's aims and objectives. It will guide the everyday operations and decision making of a business. Values are a set of ideals laid out by the organisation that will guide its ethos and the way it does its business.

Mission statements and values carry great importance to the overall direction of the organisations and so it will provide a clear goal for all parts of the organisation to work towards. This could be seen to be very important in the public sector, as the organisations tend to be large and operate on a national scale, so a cohesive goal will keep the organisation focussed as a whole.

Public sector organisations strive to provide a high-quality service for all, and so having a mission and values that consider lots of stakeholder groups will be very important. Its values look at respecting those within and providing a good service for those externally and so is extremely important.

However, the mission statement and values might not carry a huge importance as they are often vague and express an aspiration rather than a reality and therefore are very often never achieved. However, in this case it could be argued that this mission describes the very function of the organisation through the provision of its high-quality services, and therefore is achieved consistently.

In addition, the mission and values may only be of importance to its internal stakeholders such as managers as they are the ones who strive to live out this mission in the everyday work of the organisation. Public sector organisations will also affect the government as they are delivered on their behalf and so the achievement of the mission and values is likely to be of more importance to them than perhaps customers or the local community – although these are the groups that will benefit from the service and in theory fund the organisations through the tax they pay.

Possible themes for evaluation:

- Overall, as the mission statement and the values in theory should guide the direction and decisions of a business it is very important as it forms a huge part of the overall strategic direction and is likely to affect many stakeholders, even if indirectly.
- It all depends on whether the mission and values are truly lived out in all decisions within the organisation and not just a virtuous wish that is forgotten about.
- It could be seen that for public sector organisations, the mission and values are more important as they need to ensure they are operating for the benefit of all its users and have the main focus of providing a good quality service for all. However, as most public sector services are free, it may be less important to the user as to what the ethos of the organisation is.
- Some people might argue that some mission statements and values are unrealistic and can never be achieved, but in a way that does not matter. At least to have an aim, however difficult to achieve, is better than having no aim at all.

Credit any other valid answer.