



# **GCE A LEVEL MARKING SCHEME**

**SUMMER 2024**

**A LEVEL  
BUSINESS - COMPONENT 3  
A510U30-1**

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## 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.

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## **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.

# EDUQAS GCE A LEVEL BUSINESS – COMPONENT 3

## BUSINESS IN A CHANGING WORLD

### SUMMER 2024 MARK SCHEME

#### SECTION A

<b>1 1</b>	<b>Explain how contingency planning may be useful to McDonald's.</b>			<b>[8]</b>
<b>Band</b>	AO1	AO2	AO3	
	2 marks	2 marks	4 marks	
<b>3</b>			<b>4 marks</b> Excellent explanation of contingency planning and its usefulness to McDonald's  Explanations are well developed and in context	
<b>2</b>	<b>2 marks</b> Good understanding of contingency planning  The learner demonstrates detailed understanding of contingency planning	<b>2 marks</b> Good application of contingency planning and its usefulness to McDonald's  The learner makes effective use of the case study context	<b>2-3 marks</b> Good explanation of contingency planning and its usefulness  Good well-developed answer explaining the usefulness of contingency planning	
<b>1</b>	<b>1 mark</b> Limited understanding of contingency planning  Learner demonstrates some understanding of contingency planning	<b>1 mark</b> Limited application of contingency planning and its usefulness to McDonald's  The learner makes some use of the case study context during the answer	<b>1 mark</b> Limited explanation of contingency planning and its usefulness  A limited number of uses are explained	
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid explanation	

**Indicative content:**

Contingency plans are created to organise responses to potential threats in advance. Resources may be allocated and staff trained so that should an unwanted but foreseen event occur, the contingency plan may be carried out quickly and efficiently.

A major advantage of contingency plans is that a rapid response will limit the damage caused. In this case, a social media campaign designed to promote McDonald's in a positive light attracted unwanted comments which could lead to bad press. As there was a contingency plan to withdraw the campaign, the speedy response limited the level of attention the negative tweets gained. As this removed the ability for additional negative comments to be added, McDonald's limited its reputational damage and therefore did not experience a resulting loss of sales.

Contingency plans tend to focus around the most likely unwanted but expected events. In this case, McDonald's didn't seem to have an effective contingency plan to deal with the lack of lorry drivers. Therefore, along with many other businesses, supply chain issues were a cause of milkshakes and bottled water not being available. Therefore, McDonald's did not benefit from contingency plans as they did not register this as a possible interruption to the supply chain. Therefore, a stronger focus on contingency planning would have minimised the disruption and maintained service levels for customers.

Credit any other valid point.

<b>1 2</b>	<b>Evaluate the success of McDonald's attempts to increase productivity through technology and training. [10]</b>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<p><b>4 marks</b></p> <p>An excellent well-balanced evaluation of the methods used by McDonald's to increase the productivity of workers through technology and training</p> <p>Clear reference to the case study and context to support the judgement</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of productivity</p> <p>Technology and training are clearly understood</p>	<p><b>2 marks</b></p> <p>Good application of the methods used by McDonald's to increase the productivity of workers through technology and training</p> <p>The learner makes effective use of the data in the case study</p>	<p><b>2 marks</b></p> <p>A good explanation of methods used to increase the productivity of workers through technology and/or training</p> <p>Explanations are developed</p> <p>Developed lines of reasoning</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of methods used to increase the productivity of workers through technology and training</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of methods used to increase the productivity of workers through technology and/or training</p>	<p><b>1 mark</b></p> <p>Limited application of the methods used by McDonald's to increase the productivity of workers through technology and/or training</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study</p>	<p><b>1 mark</b></p> <p>Limited explanation of methods to increase the productivity of workers through technology and/or training</p> <p>Response is descriptive with little development</p> <p>Superficial explanation</p>	<p><b>1 mark</b></p> <p>Limited evaluation of methods used to increase the productivity of workers through technology and/or training</p> <p>Unsupported judgements are made</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No valid understanding</p>	<p><b>0 marks</b></p> <p>No valid application</p>	<p><b>0 marks</b></p> <p>No valid explanation</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>

**Indicative content:**

Productivity is calculated by dividing the output by the number of workers. The higher the productivity, the more efficient the business.

First of all, it appears that the ability of customers to order their meal via a touch screen at the store reduces the need for a staff member to take the order. This will reduce the amount of service staff required at a restaurant. As the number of workers is reduced, this will increase the productivity if the output remains the same. However, this is dependent on the idea that the staff taking the orders were not adding to the productivity by carrying out another function such as dispatching orders to customers once complete.

Training is carried out to increase the speed of staff. In-store training is a good way for McDonald's to increase its efficiency as crew members will be able to work with experienced staff and learn how to operate the cooking equipment, tills and complete other tasks. As staff will be learning the specific requirements of McDonald's purpose-built ordering system and cooking methods this will help with the quick completion of orders.

McDonald's trains some migrant workers to develop their English skills. This will improve the efficiency of ordering should these crew members be taking orders. Additionally, workers without English as a first language can become more efficient in an English-speaking environment as a more in-depth understanding of the language will result in an increased ability to communicate effectively and efficiently with more of the crew members. This will increase productivity. However, this may be dependent on the crew members position within the workforce and language skills may take much longer to develop than operational skills such as completing food orders.

Credit any other valid point.

<b>1 3</b>	<b>With reference to the Ansoff matrix, evaluate the global growth of McDonald's.</b> <b>[10]</b>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<b>4 marks</b> Excellent evaluation of the Ansoff matrix within McDonald's and its role in achieving global growth  Several relevant issues are evaluated
<b>2</b>	<b>2 marks</b> Good understanding of the Ansoff matrix  Understanding of at least 2 sections of the Ansoff matrix  Fully labelled diagram	<b>2 marks</b> Good application of the Ansoff matrix within McDonald's and its role in achieving global growth  Reference is made to several relevant points in the case study	<b>2 marks</b> Good explanation of the Ansoff matrix and its role in achieving global growth  Some relevant issues are explained	<b>2-3 marks</b> Good evaluation of the Ansoff matrix and its role in achieving global growth  Some relevant issues are evaluated.
<b>1</b>	<b>1 mark</b> Limited understanding of the Ansoff matrix  Understanding of at least 1 section of the Ansoff matrix  Partially completed diagram	<b>1 mark</b> Some application of the Ansoff matrix within McDonald's and its role in achieving global growth  Reference is made to some relevant points in the case study	<b>1 mark</b> Limited explanation of the Ansoff matrix and its role in achieving global growth	<b>1 mark</b> Limited evaluation of the Ansoff matrix and its role in achieving global growth
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid explanation	<b>0 marks</b> No valid evaluation



**Indicative content:**

Product development is part of the Ansoff matrix and involves launching a new product in an existing market. In this case, McDonald's have developed a range of new products. The development of the McCafe concept helped to increase the revenue of existing stores. Once this idea had proved successful, McDonald's rolled the store model out to other locations. As it has become the largest coffee shop brand in Australia and New Zealand it is clear that this product development has become very important in the continued success of McDonald's.

The growing market for meat free alternatives could have been a significant problem for McDonald's had it stayed with its original menu of beef, chicken and fish burgers. Extending the range of products to include plant-based burgers and other non-meat products provides options for those who may have stayed away from McDonald's after changing to a more plant-based diet. Therefore, McDonald's will not only be able to maintain existing customers with changed dietary requirements, they will also attract customers that have become aware of McDonald's plant based range of products.

Some activities are more in the realm of diversification. In order to successfully open restaurants in India, McDonald's had to abandon its traditional beefburger products. As this will be both a new product and a new market for McDonald's the move into India will be more in line with diversification. Therefore, although product development has been important, to tap into new markets more risky strategies such as diversification have also been necessary.

Market development into European markets has been a relatively easy transition for McDonald's. As European eating trends have been readily absorbed and replicated by European countries there has been little need for changes between the American and European way of working. Drive-throughs have been adopted across Europe as has the traditional menu. However, cultural variations between European countries have also lead to the need for menu adjustments. Without these adjustments it is possible that McDonald's development in the European market may have taken longer or been less successful.

Market penetration is unlikely to extend McDonald's to the size it is today. By focusing on the same market with the same products McDonald's would not have been able to maintain pace with market changes such as veganism and the growth of "coffee culture". Inevitably, a refusal to change would have seen decline in McDonald's market share particularly after these trends grew significantly post-2000.

Credit any other valid point.

<b>1 4</b>	<b>Evaluate the impact of McDonald's aims for 2030 on its business and its stakeholders.</b> <span style="float: right;"><b>[12]</b></span>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	4 marks	4 marks
<b>3</b>			<b>4 marks</b> An excellent analysis of the aims for 2030 and their impact upon McDonald's and its stakeholders  Analysis is fully developed in context  Key issues have been well developed with a clear line of reasoning	<b>4 marks</b> An excellent well-balanced evaluation of the aims for 2030 and their impact upon McDonald's and its stakeholders  Clear reference to the case study and context to support the judgement
<b>2</b>	<b>2 marks</b> Good and clear understanding of aims and their impact on the business and its stakeholders	<b>2 marks</b> Good application of the aims for 2030 and their impact upon McDonald's and its stakeholders  The learner makes effective use of the data in the case study	<b>2-3 marks</b> A good analysis of aims and their impact upon McDonald's and its stakeholders  Well developed chains of reasoning	<b>2-3 marks</b> Good evaluation of aims and their impact upon McDonald's and its stakeholders.  Candidate makes partial judgement, with some attempt to support their evaluation
<b>1</b>	<b>1 mark</b> Limited understanding of aims and their impact on the business and/or its stakeholders	<b>1 mark</b> Limited application of the aims for 2030 and their impact upon McDonald's and/or its stakeholders  The learner response is mainly theoretical with the limited use of examples from the case study	<b>1 mark</b> Limited analysis of aims and their impact upon McDonald's and/or its stakeholders  Some relevant issues are analysed  Analysis may be one sided.	<b>1 mark</b> Limited evaluation of aims and their impact upon McDonald's and/or its stakeholders  Unsupported judgements are made
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation

**Indicative content:**

Customers may welcome the change as this will help them feel like purchasing goods from McDonald's will not have a damaging effect on the environment. Offering plant-based food options may provide McDonald's with a good formula for attracting ethical diners. This could act as a USP for McDonald's but only if other fast-food restaurants do not develop the same policy.

Shareholders may see a positive benefit of this action as this potential USP may enable McDonald's to increase their price due to a more inelastic demand from ethical shoppers. This increase in revenue may also be accompanied by a reduction in costs as McDonald's finds ways to reduce waste as part of their activities. Any increase in profit may see an increase in dividend for shareholders.

Suppliers may see significant change as it appears that McDonald's is attempting to encourage suppliers to adjust their methods of working. Suppliers may need to take on short-term costs associated with any changes. As McDonald's is likely to be a large customer the supplier will be in a weak bargaining position when attempting to increase their prices to pay for the adjustments. This could be a significant problem for the supplier as they may be forced to accept the changes or lose the McDonald's contract. As McDonald's may be the supplier's biggest customer the loss of this contract could see them going out of business.

The government has environmental targets to achieve with regard to reducing pollution and environmental impact. As the target will not only reduce the environmental impact of McDonald's, but also for its UK and Irish suppliers, this will be of great benefit in assisting the achievement of governmental targets.

The community will benefit as the aim is to minimise the impact upon the environment. If the action neutralises any negative effects on the climate this will reduce the impact of related issues such as flooding or extreme weather events.

With a move towards net zero emissions across its restaurants and offices, McDonald's will be ahead of government targets to act in an environmentally friendly manner. As McDonald's will be going further than any legal requirements this will reduce the need for a last minute change in activity to meet new regulations. Therefore, by working towards the 2030 targets McDonald's will avoid the risk of future fines or penalties.

Credit any other valid point.

<b>1 5</b>	<b>“Businesses always place profit over ethics.” Discuss. [10]</b>	
<b>Band</b>	AO3	AO4
	5 marks	5 marks
<b>3</b>	<b>4-5 marks</b> An excellent analysis of profit and ethical approaches made by businesses  Well-developed chains of reasoning supporting both viewpoints	<b>4-5 marks</b> An excellent well-balanced evaluation of profit and ethical approaches  Relevant issues are evaluated
<b>2</b>	<b>2-3 marks</b> A good analysis of profit and/or ethics  Developed chains of reasoning supporting both viewpoints	<b>2-3 marks</b> Good evaluation of profit and/or ethics  Partial judgement, with some attempt to support evaluation
<b>1</b>	<b>1 mark</b> Limited analysis of profit and/or ethics  One sided or limited analysis	<b>1 mark</b> Limited evaluation of profit and/or ethics  Unsupported judgements are made
<b>0</b>	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation

#### **Indicative content:**

Profit is created by generating more revenue than costs. Profit is one of the main targets of many businesses in the private sector. Ethics are viewed as the urge to “do the right thing”. Ethics may have no direct benefit to the performer of the act and is considered more altruistic in nature.

It is the case that private sector businesses have a profit motive. It is necessary for businesses to operate at a profit as this can be used to further develop the business by purchasing capital goods, training staff to develop efficiency or carrying out research and development into new products. This will assist with the desire to fulfil growth as a further aim of the business.

Businesses such as Ryanair aim to provide goods and services at the lowest possible price point. In doing so, it is necessary to reduce costs to an absolute minimum. As this is the case, Ryanair will not pick up additional charges that are not necessary as this will limit the opportunity to provide flights at the lowest possible price. Therefore, taking an ethical stance may be counter to Ryanair’s low-cost strategy.

However, it is not true that all businesses act unethically. The Body Shop was founded on the principal that its products were not tested on animals. This ethical standpoint acted as a USP for The Body Shop and appealed to a niche market within the industry. Therefore, it can be the case that ethical behaviour is a benefit to businesses and will be actively pursued.

Some businesses will follow the law as a guide to the correct way to behave. Employment law and laws surrounding pollution mean that businesses no longer have to consider the ethics of their behaviour, they simply need to follow the law to behave correctly. However, it can be argued that following the letter of the law is not following the spirit of the law.

Therefore, if businesses operate just within the law their level of CO2 output for example could be reduced further.

Businesses often publicise their ethical behaviour. Nestle has been held to account by pressure groups about their use of palm oil from non-renewable sources. However, they have successfully qualified for the Fair-Trade logo on their Partners Blend product. Some say this is 'greenwashing'. A method used by businesses to promote themselves as ethical when this may not fully be the case. Therefore, businesses may follow an ethical standpoint to achieve a favourable image to attract customers.

Credit any other valid point.

## SECTION B

<b>2 1</b>	<b>Explain how the risks faced by an online retailer when starting to trade in a new country may be managed.</b> <span style="float: right;"><b>[10]</b></span>		
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>
	4 marks	4 marks	2 marks
<b>3</b>	<b>4 marks</b> Excellent understanding of risk factors that may be present and how they can be managed  Key risks are included	<b>4 marks</b> Excellent application of risk factors that may be present when trading in a new country.  Factors are clearly applied to online retailers in new countries	
<b>2</b>	<b>2-3 marks</b> Good understanding of risk factors that may be present and/or how they can be managed  Some key risks are included	<b>2-3 marks</b> Good application of risk factors that may be present when trading in a new country  Factors are applied to online retailers and/or new countries	<b>2 marks</b> Good explanation of risks and their management  At least two risks explained in detail
<b>1</b>	<b>1 mark</b> Limited understanding of risk factors that may be present and/or how they can be managed  Understanding is brief or superficial	<b>1 mark</b> Limited application of risk factors that may be present when trading in a new country  The learner response is mainly theoretical	<b>1 mark</b> Limited explanation of risks and/or their management  At least one risk explained
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid explanation

**Indicative content:**

Language barriers can be problematic if instructions or internet sites are not in the native language of a country's population. This will significantly reduce the number of sales or interaction that an online retailer receives. This can be managed by offering different domain websites in different languages. Although there is a short-term cost of this, it will generate more sales or interaction long-term.

Competition is an issue. If the online retailer faces competition in the new market this can limit the ability to make sales. This is particularly an issue if customers already buy regularly from another online retailer such as Amazon. This may be resolved by giving introductory offers. Once customers begin to use the new online retailer, they may continue purchasing from them.

Supply problems can be an issue if the online retailer requires physical production. It may be difficult to locate local suppliers and therefore a change in the product range may be needed between different markets. However, it is important that quality is maintained as returns can be expensive for online retailers due to postage costs.

Legal issues can be a problem for online retailers in a new market. Businesses such as Amazon may have problems in some countries as products may be illegal or their distribution restricted. This would be resolved by using a domestic legal team to assess the appropriateness of products or services offered.

Credit any other valid point.

<b>2 2</b>	<b>“External change always has a negative impact upon business activity”. Discuss. [20]</b>		
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>8 marks</b>	<b>8 marks</b>
<b>3</b>		<p><b>6-8 marks</b></p> <p>Excellent analysis of external change and its impact upon business activity</p> <p>Key issues for both sides of the debate are analysed in detail</p> <p>The analysis will be well balanced, well-developed and with a clear line of reasoning</p>	<p><b>6-8 marks</b></p> <p>Excellent evaluation of external change and its impact upon business activity</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>The evaluation provides a broad range of arguments on both sides of the debate</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of external changes a business may encounter</p> <p>A clear understanding of the impact to businesses of change</p>	<p><b>3-5 marks</b></p> <p>Good analysis of external change and its impact upon business activity</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited</p>	<p><b>3-5 marks</b></p> <p>Good evaluation of external change and its impact upon business activity</p> <p>The evaluation will include most of the key issues</p> <p>Evaluation is reasonably well balanced with some development on both sides of the debate</p> <p>Judgements are made with some attempt to support statements and build arguments</p> <p>A brief conclusion may be offered</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of external changes a business may encounter</p> <p>Shows some understanding of the impact to businesses of change</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of external change and its impact upon business activity</p> <p>A limited number of issues are analysed</p> <p>The analysis may focus on one side of the argument</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of external change and its impact upon business activity</p> <p>The evaluation will include some of the key issues but with limited development</p> <p>Judgements are superficial and unsupported</p> <p>Evaluation will be uneven and focus on one side of the argument</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No valid understanding</p>	<p><b>0 marks</b></p> <p>No valid analysis</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>



**Indicative content:**

Business may benefit from a reduction in competition. For example, electrical retailers Comet and Curry's dominated the electrical goods market until 2012 when Comet went into administration. This proved of great benefit to Curry's as it suddenly grew in importance in terms of its market share of high street electrical retailers. Curry's was able to take on many of the shoppers wishing to purchase from physical stores and increased profits by surviving longer than their major competitor. Therefore, external changes can be of benefit to businesses. However, some of Comet's problems were related to the increase of electrical products bought online. Therefore, Curry's may eventually suffer in the same manner if this trend continues.

Political change can be positive to business activity. The withdrawal of the UK from the EU is reported to have benefits for changes in trading agreements with other nations now that the UK does not have to comply with EU trade rules. This may mean the opportunity to trade differently with existing trade partners or to find new trade partners. The ability to access more markets can increase sales and revenue. However, by operating outside of the EU, UK business may suffer from tariffs or quotas the EU places on imported goods and services.

Social changes such as the increasing demand for plant-based meat substitutes products impact many businesses in the food industry. Fast food businesses such as Burger King and McDonalds have produced plant-based alternatives to their traditional meat products. This product development comes at a cost to these businesses, however, the ability to attract vegan customers who may have traditionally avoided these businesses due to lack of product choice may now seek out these food options. Therefore, if social trends are followed, they can lead to market opportunities.

Technological change may mean an increased need for innovation and product development. As new technology becomes available, technology-based businesses such as Apple will feel pressure to innovate and launch products more quickly to maintain their position as market leader. Failure to do so may mean their products become outdated and the brand name suffers. However, the ability to reach the customer first with a new technological development can enable large scale profits through price skimming.

Credit any other valid point.

<b>3 1</b>	<b>Explain how the high street fashion market demonstrates the features of monopolistic competition.</b> <span style="float: right;"><b>[10]</b></span>		
<b>Band</b>	AO1	AO2	AO3
	4 marks	4 marks	2 marks
<b>3</b>	<b>4 marks</b> Excellent understanding of monopolistic competition  The key features of monopolistic competition are clearly understood	<b>4 marks</b> Excellent application of monopolistic competition to the high street fashion market	
<b>2</b>	<b>2-3 marks</b> Good understanding of monopolistic competition  Some features of monopolistic competition are clearly understood	<b>2-3 marks</b> Good application of monopolistic competition to the high street fashion market	<b>2 marks</b> Good explanation of monopolistic competition  At least two features are explained in detail
<b>1</b>	<b>1 mark</b> Limited understanding of monopolistic competition  At least 1 feature of monopolistic competition is understood  Understanding is brief or superficial	<b>1 mark</b> Limited application of monopolistic competition to the high street fashion market  The learner response is mainly theoretical	<b>1 mark</b> Limited explanation of monopolistic competition to business decision making  At least one feature is explained
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid explanation

#### **Indicative content:**

There are many businesses in the high street fashion market. This means that customers have a wide range of alternatives.

There are few barriers to entry. Although there is a cost of renting a store on the high street, the presence of numerous businesses selling high street fashion indicates that is not a difficult sector to enter. There are many independent stores selling high street fashion as well as the better known chains such as H&M or Primark.

Brand identity is relatively weak. Brands such as New Look, whilst recognised, are not highly regarded and are not considered to give status to the wearer. Therefore, customers may not be particularly loyal to the brand as the clothing does not have a strong unique selling point.

Products are similar but differentiated from each other through a limited attempt at branding or focusing on a particular style of clothing. For example, Next is well known for office clothing such as men's suits. Quality may provide a differentiator for some customers. Whilst Primark is not known for its quality, the prices reflect this and bring in customers.

Businesses are not price takers and only have a relatively limited amount of control over the prices they charge. This is in part related to the large number of close alternatives in the market. If a fashion retailer were to significantly increase the price of their products it would be easy for customers to find a similar product close to the original price. Therefore, monopolistic power is weak in the high street clothing sector.

Credit any other valid point.

<b>3 2</b>	<b>“All businesses benefit from economic recovery.” Discuss.</b>			<b>[20]</b>
	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>	
	4 marks	8 marks	8 marks	
<b>3</b>		<b>6-8 marks</b> Excellent analysis of the features of an economic recovery  Key issues for both sides of the debate are analysed in detail  The analysis will be well balanced, well-developed and with a clear line of reasoning	<b>6-8 marks</b> Excellent evaluation of the features of an economic recovery  The evaluation is balanced and detailed and will focus on the key issues  The evaluation provides a broad range of arguments on both sides of the debate  Clear judgements are made with supporting statements to build an argument  A holistic evaluation may be offered with an overall conclusion	
<b>2</b>	<b>3-4 marks</b> Good understanding of the features of an economic recovery  A clear understanding of economic recovery	<b>3-5 marks</b> Good analysis of the features of an economic recovery  The analysis may be uneven, with some well-developed ideas and others where the development is more limited	<b>3-5 marks</b> Good evaluation of the features of an economic recovery  The evaluation will include most of the key issues  Evaluation is reasonably well balanced with some development on both sides of the debate  Judgements are made with some attempt to support statements and build arguments  A brief conclusion may be offered	
<b>1</b>	<b>1-2 marks</b> Limited understanding of the features of an economic recovery  Brief or superficial understanding of economic recovery	<b>1-2 marks</b> Limited analysis of the features of an economic recovery  A limited number of issues are analysed  The analysis may focus on one side of the argument	<b>1-2 marks</b> Limited evaluation of the features of an economic recovery  The evaluation will include some of the key issues but with limited development  Judgements are superficial and unsupported  Evaluation will be uneven and focus on one side of the argument	
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation	

**Indicative content:**

For:

Unemployment is likely to fall during a recovery. Increased wages may lead to increased sales. This will benefit those selling normal and superior goods as increased disposable incomes will increase demand.

Businesses selling superior goods will benefit as a higher disposable income coming from both new people entering employment and a general increase in wages as employers seek to attract staff. Businesses may consume superior goods more frequently leading to a benefit for businesses in industries such as travel and leisure.

An economic recovery may go alongside a strong pound. This is due to a demand for pounds to invest in British businesses. As the pound strengthens imports will become cheaper.

Against:

Businesses providing inferior goods will suffer in a recovery. This is because the increase in incomes and employment will lead to shoppers trading up to normal and superior goods. The reduction in demand will reduce the market share for businesses continuing to solely provide inferior goods.

Increased competition may mean some businesses suffer. An economic recovery often provides confidence in business activity. As more businesses may start trading in a recovery the additional competition can cause an issue for existing business as they start to lose customers to the start-ups.

Increasing interest rates will increase costs. To control inflation, the Bank of England will raise interest rates during an economic recovery. This will increase the cash outflow of businesses. However, this depends upon the gearing level of the business.

Inflation will increase costs. Due to wages increasing in a recovery, business costs will increase driven by cost push inflation. In this instance the increased price of goods may deter some customers and reduce demand.

Credit any other valid point.

<b>4 1</b>	<b>Explain how car manufacturers would be affected by changes in taxation. [10]</b>		
<b>Band</b>	AO1	AO2	AO3
	4 marks	4 marks	2 marks
<b>3</b>	<b>4 marks</b> Excellent understanding of how changes in taxation would affect a business  Key impacts are understood	<b>4 marks</b> Excellent application of how changes in taxation would affect a car manufacturer	
<b>2</b>	<b>2-3 marks</b> Good understanding of how changes in taxation would affect a business  Impacts are understood	<b>2-3 marks</b> Good application of how the changes in taxation would affect a car manufacturer	<b>2 marks</b> Good explanation of how the changes in taxation would affect a business
<b>1</b>	<b>1 mark</b> Limited understanding of how changes in taxation would affect a business.  At least one impact is understood  Understanding is brief or superficial	<b>1 mark</b> Limited application of how the changes in taxation would affect a car manufacturer  The learner response is mainly theoretical	<b>1 mark</b> Limited explanation of how the changes in taxation would affect a business
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid explanation

#### **Indicative content:**

Corporation tax is a tax on profits. If this tax increases, car manufacturers will need to pay this and therefore a lesser amount may be left to carry out necessary business activities such as research and development. As car technology progresses quickly, business in this sector need to engage in research and development to keep up with market changes. Increases in corporation tax will negatively affect their ability to compete.

Income tax is a tax on personal earnings. A rise in income tax will lead to a reduction in disposable income. As cars are relatively expensive, a reduction in personal income may lead to potential customers not being able to buy a new car. This will negatively affect demand for big ticket items such as cars.

VAT is charged on many products including cars. As cars are a relatively expensive item customers will shop around for the best price. A fall in VAT will allow car manufacturers to offer their vehicles at a lower price. This will stimulate demand and increase trade for car manufacturers.

Credit any other valid point.

<b>4 2</b>	<b>“The government needs businesses more than businesses need the government”. Discuss. [20]</b>		
	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	4 marks	8 marks	8 marks
<b>3</b>		<b>6-8 marks</b> Excellent analysis of the relationship between government and business  Key issues for both sides of the debate are analysed in detail  The analysis will be well balanced, well-developed and with a clear line of reasoning	<b>6-8 marks</b> Excellent evaluation of the relationship between government and business  The evaluation is balanced and detailed and will focus on the key issues  The evaluation provides a broad range of arguments on both sides of the debate  Clear judgements are made with supporting statements to build an argument  A holistic evaluation may be offered with an overall conclusion
<b>2</b>	<b>3-4 marks</b> Good understanding of the relationship between government and business  A clear understanding of the relationship between government and business	<b>3-5 marks</b> Good analysis of the relationship between government and business  The analysis may be uneven, with some well-developed ideas and others where the development is more limited	<b>3-5 marks</b> Good evaluation of the relationship between government and business  The evaluation will include most of the key issues  Evaluation is reasonably well balanced with some development on both sides of the debate  Judgements are made with some attempt to support statements and build arguments  A brief conclusion may be offered
<b>1</b>	<b>1-2 marks</b> Limited understanding of the relationship between government and business  Issues are understood	<b>1-2 marks</b> Limited analysis of the of the relationship between government and business  A limited number of issues are analysed  The analysis may focus on one side of the argument	<b>1-2 marks</b> Limited evaluation of the relationship between government and business.  The evaluation will include some of the key issues but with limited development  Judgements are superficial and unsupported  Evaluation will be uneven and focus on one side of the argument
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation

**Indicative content:**

Trade agreements between different countries or trading blocs has a significant effect on business activity. As the UK is now outside of the EU it is necessary for the UK to make agreements with the EU regarding the import and export of goods and services. If the UK decided to impose a tariff on imported cheese from France, this would increase the price of French cheese in the UK market. This may be beneficial for UK cheese manufacturers selling domestically as customers may choose to purchase UK manufactured cheese. For small businesses this government involvement may be crucial to their survival.

The UK government considers competition to be advantageous for a healthy market. Therefore, UK markets are regulated to avoid businesses becoming monopolies and achieving too high a market share. This is beneficial to smaller businesses as they are provided the opportunity to establish themselves in a market without being forced out by very large businesses with significant economies of scale.

The government can offer grants and subsidies to businesses to encourage some businesses. Grants and subsidies will provide a contribution towards the cost of providing a good or service. If a subsidy was allocated to UK fishing this could help to bring down the cost of fish. However, this may be unhelpful to the UK farming industry as fish may then be chosen over alternatives such as beef or lamb. Therefore, subsidies may be useful or needed by some businesses but may be unhelpful to others.

The government benefits greatly from the corporation tax generated from businesses as well as the income tax from those working in these businesses. Without these two taxes the government would struggle to provide merit goods such as healthcare and education at the same level. Therefore, the government needs business to provide a suitable level of merit goods within the UK.

The provision of state healthcare and education is a benefit to the UK economy. However, if the government didn't offer these services for free, private sector schools and private healthcare providers would see an increase in those willing to pay for these services.

Some legislation is put in place for the benefit of customers rather than the business. For example, the introduction of a price cap on home heating has led to many energy companies leaving the market. Rising fuel costs with no ability to charge a higher price meant energy companies could not survive the market conditions and in 2021 several energy companies failed. Without government intervention, prices would have risen with the cost of heating and although customers may have suffered, the businesses may have survived.

A trained workforce is of great benefit to both businesses and the government. Therefore, UK business has benefited from education provided by the state. Furthermore, the apprenticeship schemes within the UK are a further means of benefiting businesses with educated employees. This also helps the government as educated workers will increase their earning capacity and therefore contribute back to the government through income tax payments.

Credit any other valid point.