

## Paper 2: Building a business mark scheme

### Section A

Question number	Answer	Mark
1(a)	C	(1) AO1a

Question number	Answer	Mark
1(b)	A	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>A high-quality product would improve the business's brand image (1), therefore allowing the business to charge a premium (1), which will increase the net profit margin (1).</p> <p>A high-quality product will lead to fewer defects (1), therefore fewer customer complaints (1), resulting in lower costs for the customer services department (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of an advantage, plus 2 further marks for explaining this advantage up to a total of 3 marks.</p> <p>Ongoing training will make employees feel valued (1), which will result in workers working harder (1), therefore making the business more productive (1).</p> <p>Ongoing training will result in employees being able to work faster (1), which will result in higher productivity levels (1), therefore reducing the unit cost of making at item (1).</p> <p>Accept any other appropriate response. Answers that list more than one advantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(a)	C, D	(2) AO1a

Question number	Answer	Mark
2(b)	A, D	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)	Substitution into correct formula: $(£90\,000/£300\,000) \times 100$ (1)  Answer: 30% (1)	Award full marks for correct numerical answer without working.  Do not award a mark for 30 if the correct unit (%) is not stated.	(2) AO2

Question number	Answer	Mark
2(d)	Award 1 mark for identification of an impact, plus 2 further marks for explaining this impact up to a total of 3 marks.  Productivity will fall (1) because workers would not be sure about which information to use (1), therefore more mistakes will be made, which reduces output (1).  More workers will leave the business (1) because the excessive communication will demotivate them (1) resulting in the business having to incur the cost of employing new workers (1).  Accept any other appropriate response. Answers that list more than one impact with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(e)	Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.  The brand image will be damaged (1), therefore customer loyalty will fall (1). This results in the business making lower sales (1).  Customers will switch to a different business (1), therefore the business will have a lower market share (1) and as a result revenues will go down (1).  Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(a)	D	(1) AO1a

Question number	Answer	Additional guidance	Mark
3(b)	Substitution into correct formula: $£500 \times (3000 + 5000 + 4000)$ (1)  Answer: £6 000 000 (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Answer	Mark
3(c)	Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason up to a total of 3 marks.  The bonus will motivate workers (1) because they feel more valued by the business (1), therefore workers will work harder (1).  The bonus will help attract the best workers (1). Therefore, the business will become more productive (1). This will result in lower unit costs (1).  Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(d)	Award 1 mark for identification of a drawback, plus 2 further marks for explaining this drawback up to a total of 3 marks.  It will have to employ new workers (1) and therefore will have to spend money on recruitment (1). This increases the costs of the business (1).  It could lose its most productive workers (1), therefore the business will become less efficient (1). As a result, the unit cost will increase (1).  Accept any other appropriate response. Answers that list more than one drawback with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Indicative content		Mark
3(e)	<ul style="list-style-type: none"> <li>• Decisions can be made faster (AO1b).</li> <li>• Lower fixed costs (AO1b).</li> <li>• This means that the business can respond to opportunities in the market before competitors do (AO3a).</li> <li>• The business will no longer require a large head office because decisions are made in individual branches (AO3a).</li> </ul>		<b>(6)</b> <b>AO1b=3</b> <b>AO3a=3</b>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>	
Level 2	3-4	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>	
Level 3	5-6	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>	

## Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable impact on Fender of using 3D printers to print ideas for new guitar models. Award a maximum of 1 mark if points are not linked.</p> <p>Fender can print off ideas of new guitar models faster (1), which reduces the cost of developing new musical instruments (1).</p> <p>Fender no longer has to send ideas for new models to an outside model builder (1) so it can produce new guitar designs at a lower cost (1).</p> <p>Do not accept impacts of 3D printing that would not relate to a musical instrument manufacturer such as Fender developing new products, for example mass manufacturing guitars for sale.</p>	(2) AO2

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> <li>It allows Fender to keep manufacturing guitars using job production and the finest raw materials (AO2).</li> <li>This may reduce Fender's competitive advantage in the market for cheaper types of guitar (AO2).</li> <li>This is because high prices will cover the high unit cost of manufacturing a hand-made guitar, allowing Fender to remain profitable (AO3a).</li> <li>This could result in Fender losing market share in the guitar market, which reduces revenues and profitability (AO3a).</li> </ul>	(6) AO2=3 AO3a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

Question number	Answer	Additional guidance	Mark
5(a)	200 kg	Do not award a mark if the correct unit (kg) is not given.	(2) AO2

Question number	Answer	Mark
5(b)	Day 32	(1) AO2

Question number	Answer	Additional guidance	Mark
5(c)	Substitution into correct formula: 2600 kg – 400 kg (1)  Answer: 2 200 kg (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Indicative content	Mark
5(d)	<ul style="list-style-type: none"> <li>The guitars will be individual to each musician (AO2).</li> <li>The cost of producing guitars will be higher (AO2).</li> <li>This means musicians such as Bruno Mars will be willing to pay a high price for an individually crafted instrument, resulting in high profit margins (AO3a).</li> <li>This results in low profit margins if the extra costs of production cannot be recouped through selling the guitars at a higher price (AO3a).</li> </ul>	(6) AO2=3 AO3a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

<b>Question number</b>	<b>Answer</b>	<b>Mark</b>
<b>6(a)</b>	<p>Award 1 mark for stating one factor Fender will consider when choosing suppliers.</p> <p>Quality of the electronic components supplied (1). Ethical sourcing of ash wood (1). Speed of delivery of materials, such as wood/strings (1).</p> <p>Accept any other appropriate response. Do not accept factors that would not be appropriate for a musical instrument manufacturer such as Fender, for example freshness of raw materials.</p>	<b>(1)</b> <b>A02</b>

<b>Question number</b>	<b>Answer</b>	<b>Mark</b>
<b>6(b)</b>	<p>Award up to 2 marks for linked points outlining a benefit to Fender from using social media. Award a maximum of 1 mark if points are not linked.</p> <p>It enables Fender to tweet that artists such as Bruno Mars use its instruments (1), therefore improving the brand image of its guitars (1).</p> <p>Fender can target different types of musician more effectively (1) because each Fender brand has its own social media account as shown in Figure 4 (1).</p> <p>Do not accept benefits from using social media that would not relate to a musical instrument manufacturer such as Fender, for example to promote a local in-store event.</p>	<b>(2)</b> <b>A02</b>

Question number	Indicative content		Mark
6(c)	<ul style="list-style-type: none"> <li>Increasing prices will further position Fender's musical instruments as a luxury product (AO2).</li> <li>However, increasing prices could make Fender appear more of a niche market firm rather than a mass market firm (AO2).</li> <li>This means that the fall in demand from raising prices is likely to be insignificant, causing revenue to rise and with costs remaining the same profit should increase (AO3a).</li> <li>As a result, demand for Fender's musical instruments could fall if the economy moves into a recession (AO3a).</li> <li>The most appropriate option for Fender may be to increase advertising since Fender already charge as much as £10,000 for a guitar, therefore if they could attract more customers revenue will increase significantly (AO3b).</li> <li>However, the impact of increasing advertising depends on whether the increase in demand for Fender's guitars generates enough extra revenue to cover the additional cost of the advertising. If social media is used it will probably lead to the largest increase in profits (AO3b).</li> </ul>		<b>(9)</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 2	4–6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 3	7–9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	



## Section C

Question number	Answer	Mark
7(a)	Award 1 mark for a correct definition of takeover.  Where one business acquires (greater than 50% of the shares in) another business (1).	(1) AO1a

Question number	Answer	Mark
7(b)	55+	(1) AO2

Question number	Answer	Mark
7(c)	Award up to 2 marks for linked points outlining an advantage to Amazon of being an e-tailer. Award a maximum of 1 mark if points are not linked.  e-tailing means that Amazon can reach a global market (1), therefore increasing its chances of being able to sell a large range of household goods (1).  Without any high-street stores Amazon will have lower fixed costs (1), therefore Amazon can undercut Argos' prices (1).  Do not accept reasons that would relate to Amazon but not because it is an e-tailer, for example its brand name.	(2) AO2

Question number	Indicative content		Mark
7(d)	<ul style="list-style-type: none"> <li>Increasing the speed of delivery will make more customers want to use Argos for the purchase of goods such as televisions (AO2).</li> <li>However, increasing the speed of delivery may be impossible to achieve and if Argos manages to do it, Amazon will almost certainly copy the approach, eliminating Argos' competitive advantage (AO2).</li> <li>This is because more consumers will be attracted by the faster service. This could mean consumers would be willing to pay the higher prices offered by Argos and use Argos instead of Amazon, reducing Amazon's market share and giving Argos a competitive advantage (AO3a).</li> <li>The result may be that Argos may receive a competitive advantage for only a short period of time (AO3a).</li> <li>The most appropriate strategy for Argos is to increase the speed of delivery. This is because lowering prices is something that Argos will not be able to achieve (AO3b).</li> <li>Amazon is an e-tailer so has a lower level of fixed costs, and will be in a position to undercut Argos on price. Therefore, Argos can achieve competitive advantage only by improving the speed of its home delivery services (AO3b).</li> </ul>		(9) AO2=3 AO3a=3 AO3b=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 2	4-6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 3	7-9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	

Question number	Indicative content	Mark
7(e)	<ul style="list-style-type: none"> <li>• Larger businesses can exploit economies of scale (AO1b).</li> <li>• Different businesses target different market segments (AO1b).</li>   <li>• The enlarged business would be able to exploit economies of scale because Argos stores can be closed down and placed inside Sainsbury's supermarkets (AO2).</li> <li>• Some low-income Argos customers may not normally do their grocery shopping in Sainsbury's, so the number of customers who use the enlarged business could go down (AO2).</li>   <li>• The enlarged business can reduce its fixed costs. This allows unit costs to decrease so that it can compete more effectively with Aldi and Lidl by being able to charge lower prices (AO3a).</li> <li>• Demand for Argos' products will decrease, leading to falling revenues since it may not retain all of its customers (AO3a).</li>   <li>• Argos is struggling to compete with Amazon, which is an e-tailer. Therefore, even after taking advantage of economies of scale Amazon will still have lower unit costs and lower prices since it does not have any high-street shops. So Sainsbury's is unlikely to benefit significantly from its takeover of Argos (AO3b).</li> <li>• The takeover creates the UK's largest non-food retailer. Therefore, the economies of scale generated could be significant, allowing the enlarged business to effectively compete with large e-tailer rivals such as Amazon (AO3b).</li> </ul>	<b>(12)</b> <b>AO1b=3</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>• Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>• Draws a conclusion based on sound evaluation of business information and issues (AO3b).</li> </ul>
Level 3	9–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).</li> </ul>