

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL A-LEVEL **BUSINESS** **BU04**

Unit 4: Business Decision Making

Mark scheme

June 2022

Version: 1.1 Final



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

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

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

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

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

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

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
1		<p>A magazine publishing company is experiencing falling profit margins. Its new Chief Executive has decided to implement a strategy of delayering.</p> <p>Recommend which leadership style the Chief Executive should adopt to implement delayering. Justify your answer.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of this question are to make and support a judgment on the most appropriate leadership style for this business to secure long-term success.

Indicative content

- Delaying is the removal of parts of an organisation structure. It will shorten chains of command but broaden spans of control and often see reductions in overall staff numbers.
- A magazine publisher is likely to have creative and skilled staff.
- The Chief Executive is new to the business and therefore may not have a full knowledge of the business but will also be establishing their own reputation.
- The Chief Executive is new – how loyal are the staff to the previous one – this may impact on the short-term.

The most suitable leadership for the Chief Executive may:

- be different in the short-term than the longer-term
- may need to be more autocratic when seeing through the delayering
- a more democratic style may be more suited to the type of staff and may be more effective in longer-term to support creativity – this could be adopted in the future after the new business structure has been established
- could the long term success be helped by a more consultative style being adopted – even for the difficult decisions?
- a more consultative style may suit the creative skilled staff and may gain their support for decisions
- the character of the new Chief Executive will have an impact on both the choice of style and the impact

- The after effect of the short-term changes linked to delayering and the new Chief Executive will impact on the longer-term success – will the delayering motivate or demotivate remaining staff?

A decision on the most suitable leadership style needs to be made and the judgement supported by prior analysis.

The choice and impact on success depends on:

- the nature of the staff
- the character of the Chief Executive
- the challenges of the decisions being made
- how the decisions are communicated.

Accept other relevant content.

2	<p>A chocolate bar manufacturer is considering entering a market where the combined market share of the four largest businesses is 68%.</p> <p>Should it enter the market?</p> <p>With reference to Porter’s five forces, assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>
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The demands of this question are to make and support a judgment on whether this industry environment will limit competition through barriers to entry and whether a new entrant can feasibly enter.

Indicative content

Porters 5 forces are used to analyse competition intensity, attractiveness, and profitability of an industry or market. These forces are:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products.

Barriers to entry may restrict the new entrant:

- costs of entering the market (eg in technology, infrastructure or other investment)
- significance and extent of brand loyalty for all existing businesses
- availability and access to key suppliers/components etc – is it restricted by existing businesses?
- new businesses may operate in different niches or with different products
- discussion of the 68% eg how accessible is the remaining 32%
- how strong are the brands of the leading 4?

It depends on:

- the current strength of barriers to entry
- the strength of buyer power
- the strength of supplier power
- the reaction of competitors
- how effective a niche might be developed by the new entrant.

No decision is right or wrong but should be assessed on the quality of argument.

Accept other relevant content.

3	<p>A manager is considering investing into renewable energy for his factory. He has used financial investment appraisal methods to assess the investment.</p> <p>Will these calculations alone be enough to make a decision?</p> <p>Assess the arguments for and against and make a judgement.</p>	12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6
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	0	No credit worthy material.

The demands of this question are to make and support a judgment on the extent to which financial methods (e.g. payback; NPV or ARR) are useful as opposed to other methods.

Indicative content

- Payback calculates the time period in which the initial investment will be paid back.
- Faster payback is better as risk is carried over a shorter time period.
- It is a relatively simple calculation.

However:

- in particular it only shows initial payback, not long-term returns and some big investment projects may have very long payback periods
- as a simple calculation, it may not include the detail the business needs.

ARR and NPV:

- covers all the net returns of the project, not just initial payback
- allows comparisons with other forms of investment (might be better to leave the money in a risk-free environment eg bank).

However:

- more complex calculation than payback.

Other factors may also be useful such as:

- the overall objectives of the business
- environmental sensitivity of the project
- ethics of the project
- levels of business confidence in the target market.

Overall it depends on:

- the view of the business – does it look at broader issues than would be judged financially
- the size and cost of the project, and at what point those costs are faced
- the likely long-term returns on the project.

Overall the decision depends on a range of factors and their relative strengths.

No decision is right or wrong but should be assessed on the quality of argument.

Accept other relevant content

Section B

Total for this section: 44 marks

Question	Part	Marking guidance	Total marks
4		<p>State two ways in which the size of film and television streaming companies such as SFT may be measured.</p> <p>market value value of sales number of subscribers number of countries accessed.</p> <p>Accept other relevant content</p>	<p>2</p> <p>AO1 1 AO2 1</p>
5		<p>SFT intends to spend \$15 billion on original content in 2022. Calculate the percentage increase in SFT's spending on original content between 2019 and 2022 if it does spend this amount.</p> <p>2 marks for correct answer: 68.54% 2017 \$ 8.9 bn. 2020 \$ 15 bn Over three years = +\$ 6.1bn (1 mark) \$6.1bn as a percentage of \$8.9bn = 68.54% increase (correct calculation (1)) 2 marks if 68.5 written. 2 marks if % sign is missing</p>	<p>2</p> <p>AO1 1 AO2 1</p>
6		<p>Using Figure 4, calculate the profit margin for other regions in 2021 Quarter 2.</p> <p>2 marks for correct answer: 15.5% Profit margin = (profit for the quarter x 100)/Sales revenue (1) Profit margin = $\frac{400}{2575} \times 100 = 15.53\%$ If rounded to 16 award 2 marks. If rounded to 15 award 1 mark</p>	<p>2</p> <p>AO1 1 AO2 1</p>
7		<p>Using Figure 4, calculate US sales as a percentage of SFT's total sales revenue in 2021 Quarter 2.</p> <p>2 marks for correct answer:46.9% US sales + RoW sales = total sales 2277 + 2575 = 4852 (1) (US sales/total sales) x 100 (2277/4852) x 100 = 46.9% (1) If rounded to 47 award 2 marks. If rounded to 46 award 1 mark.</p>	<p>2</p> <p>AO1 1 AO2 1</p>
8		<p>Explain one possible reason for the changes in the rate of growth in the video streaming market shown in Figure 1.</p> <p>Figure 2 shows that it is predicted to fall in the future (1 for trend). The market could be close to saturation (1 suggested reason), especially as the biggest market, USA (\$11420m is already at 38%) (up to 2 marks for using data).</p>	<p>4</p> <p>AO1 1 AO2 3</p>

9	<p>Using Figure 6, calculate the gearing for SFT as at June 30 2021.</p> <p>Gearing = $100 * \text{Non-current liabilities} / (\text{NCL} + \text{shareholder equity})$ $= 100 * 14,248 / (14,248 + 5,239)$ (1 mark) $= 100 * 14,248 / 19,487$ $= 73.12\%$ (2 marks)</p> <p>If 73.1 written award 2 marks. If % sign missing award 2 marks</p>	<p>2 AO1 1 AO2 1</p>
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10	1	Analyse the strengths of SFT's position.	9 AO1 = 2 AO2 = 2 AO3 = 5
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Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

Indicative content

- strong brand early to the market and seen as market leader
- brand is enhanced through joint ventures/collaborations eg Sky; Comcast; KDDI
- the subscription business model has proved popular linked to free trial periods
- the quality of original content big investment and gains a reputation
- the loyalty of customers (evidenced by growth of numbers and reaction to price increases)
- the potential for growth in both the primary (US) market, and globally – penetration rate – though how high can these go?
- external environmental factors such as increased internet traffic, new technology, new legislation
- external societal factors – trend to watch on demand etc
- ongoing growth of market – albeit predicted to be at lower rate
- steady growth in revenue (fig 6).

A **good** response (Level 3) will see two or more points developed well in context.

A **reasonable** response (Level 2) may see one point developed well in context, or more than one point underdeveloped or lacking context.

A **limited** response may see relevant points made with little relevant development or context.

10	2	Analyse the weaknesses and threats faced by SFT.	9 AO1 = 2 AO2 = 2 AO3 = 5
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Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

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Indicative content

- SFT is burning cash and growing debt (figures in text) – also from balance sheet – high gearing ratio 73.12% (OFR from earlier)
- market capitalisation – some of SFT (future) rivals are much bigger companies, with deeper pockets (fig 1, Amazon and Apple size)
- have competitors got a better 'offer' with access to Disney's back catalogue for example?
- it relies on the US market compared with RoW (figure 3) – might this market get saturated?
- streaming market globally has a trend of decreasing rate of growth – but still growing (figure 2).
- price rises have short-term drop in sales – will demand become more elastic as competition develops?
- low penetration in many markets – those not mentioned in figure 4 or with low figures in figure 3.

A **good** response (Level 3) will see two or more points developed well in context.

A **reasonable** response (Level 2) may see one point developed well in context, or more than one point underdeveloped or lacking context.

A **limited** response may see relevant points made with little relevant development or context.

10	3	With reference to your analysis, recommend actions that SFT could take to maintain its competitive advantage. Justify your recommendations.	12 AO2 = 2 AO3 = 4 AO4 = 6
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Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO2 and AO3.

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1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

Some actions are more difficult to sustain than others, and answers should recognise this. For example, all actions have cost implications and market implications.

Indicative content

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- Investment – in particular in new content – this costs money and is currently financed from borrowings – and is a significant amount.
- Decreasing its reliance on the US market – this is beginning to happen.
- Using US revenues (Boston matrix: cash cow) to support global growth – price increases in some markets have not affected overall revenue (yet); these could be pushed further, especially in core markets unless demand elasticity changes.
- Expanding customer base, for example using ‘bundles’ with other services – these can hide cost increases and also give a better level of product through offering a more comprehensive service .
- Expanding partnerships with telecoms/entertainment/technology companies.
- Increasing prices to increase revenue (service appears to be price inelastic at present).
- Growing RoW through free trials – will ROW follow same trend as US.

Accept other relevant content.