
A-level
BUSINESS
7132/3

Paper 3 Business 3

Mark scheme

June 2024

Version: 1.0 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.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

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

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- **Annotate the script** as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a limited response? A reasonable one? A good one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at; refer back to standardisation scripts regularly.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response 'well-argued' but does not focus fully on the issue of 'long term' feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

K U	Knowledge and Understanding
AN	Analytical but lacks context
ARG	Argument (developed analysis in context)
DEV	Developed argument (well developed analysis in context)
EVAL	Evaluation
NFF	Not Fully Focused on the demands of the question
Bal	Balanced response, eg both sides acknowledged
Rng	Range of arguments, eg two arguments presented
BD	Benefit of the Doubt
NAQ	Not answering the question
OF	Own Figure Rule
SEEN icon	Seen
☑	TICK – use for correct calculation
☒	CROSS - incorrect
□	Txt Box
?	Unclear
Highlighter	Highlighter

The following should be used at the end of the response.

L1	L1
L2	L2
L3	L3
L4	L4
L5	L5

0	1	Analyse how Speed-e-Puds Ltd benefits from operating with a high level of capacity utilisation.	[12 marks]
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Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and mainly descriptive application to the context.	1–4

The demands of this question are:

- understand the meaning of a high level of capacity utilisation
- analyses benefit(s) of a high level of capacity utilisation
- in the context of Speed-e-Puds Ltd.

Indicative content:

- lower average cost per unit as fixed costs (rent of premises – potentially on the High Street/equipment/staff) are spread across more customers
- buying larger quantities of materials will be required, so discounts may lead to lower unit costs (purchasing economies)
- for restaurants such as this, busyness can be seen as a recommendation for passing customers
- high capacity utilisation may be important because sales volume may compensate for lower than average gross profit margins
- high capacity utilisation may suggest prices could be raised, boosting gross margins
- high capacity utilisation implies a high inventory turnover thus less waste of potentially perishable ingredients
- staff will feel a sense of job security with a busy restaurant
- Operating at a high level of capacity utilisation will imply high revenue matched with lower unit cost, thus suggesting profits (£200,000) should be available to invest or pay down debt

Accept other relevant arguments.

Markers' note:

Do not credit arguments focused on causes of capacity utilisation being high (E.g. the speedy waffle maker causes high demand which causes high capacity utilisation – not answering the question which must be about the consequences of high capacity utilisation, rather than high demand)

Also beware incorrect responses built around benefits of high capacity (can meet high demand) or speed of service (productivity) due to SuperWaffler

0	2	Sanjay has a marketing objective of achieving a 15% market share within 3 years.
		Analyse the factors that influenced Sanjay's decision to set his marketing objective at a 15% market share.
		[12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and mainly descriptive application to the context.	1–4

The demands of this question are:

- understands the meaning of marketing objective and market share
- analyses factors influencing the decision to set the marketing objective of a 15% share of the market
- in the context of Sanjay/Speed-e-Puds Ltd.

Indicative content:

Reasons for setting 15% as the target figure:

- with a few major national rivals, 15% implies a healthy position relative to a few large rivals ensuring Speed-e-Puds are seen as a major national presence
- the market has grown at an average of 20% over the last 5 years. Attaining market share may be easier in a growing market
- Sanjay is clearly ambitious, indeed the case study mentions his impatience, suggesting an ambitious target may be influenced by his own attitudes
- 15% implies the kind of national coverage that Sanjay sees as important – a branch in every city
- Sanjay has already experienced very rapid success
- Introducing a new product (slushies) may provide a boost in sales

Reasons for setting market share as an objective:

- it matters because it highlights the need to 'beat' rival dessert chains

- market share may be an important consideration within an immature market that is experiencing rapid growth
- it recognises the desire for national growth.

Some may focus on the time frame (which can be credited):

- within 3 years is short – this may reflect Sanjay's desire to 'cash in' while dessert parlours remain popular – social trends may change
- 3 years emphasises Sanjay's impatience and desire to grow his business quickly
- 3 years may be appropriate given likely speed of change in an emerging market such as dessert parlours.

Accept other relevant arguments.

Markers' Note:

One factor well developed will be enough to access all levels of the mark scheme

0	3	Should Sanjay add 'slushy' machines to his three branches?
		Use quantitative and qualitative information and calculations to support your answer. [16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question - demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question - makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: - demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrates analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	1–4

The demands of this question are:

- use quantitative and qualitative information to analyse benefits and drawbacks of adding slushy machines to Speed-e-Puds branches
- correctly use relevant calculations to support answer
- make a judgement on whether to introduce the machines.

Indicative content:

Relevant calculations may include any of the following:

extra profit generated by Slushies = £3420 (contribution) – £3 000 (fixed cost)
= £420 per branch per year.

or £2100 over 5 years

Or £1350 if initial cost of £750 is deducted

From an investment appraisal perspective:

Payback:

initial investment = £2250 (3 machines)

net cash flows in subsequent years = £420 per branch, for 3 branches = £1260

$$\text{payback} = \frac{£2250}{£1260} = 1.79 \text{ years (or 1 year 9.43 months)}$$

(accept 1.7 to 1.8 years **or** 21 to 22 months **or** 1 year and 9 to 10 months)

ARR – based on a 5-year life:

lifetime profit = (£1260 × 5) = £6300 – £2250 = £4050

$$\frac{£4050}{5} = £810$$

$$\frac{£810}{£2250} \times 100 = 36\%$$

Break-even for slushy machines:

$$\frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

$$\frac{£3000}{£0.95} = 3158$$

break-even number of slushies per branch = 3158 slushies per branch

Arguments for introducing slushy machines:

- minimal outlay is paid back within lifetime

- positive contribution per branch of £420 if forecasts are correct – multiply this by number of branches – this may be more than 3 in future years depending on expansion plans
- ARR of 36% is positive and above interest rates and Sanjay's ROI target
- may attract new customers who spend on other menu items – boosting profit.

Arguments against introducing slushy machines:

- capacity utilisation is already high, can staff cope with selling additional products or would slushy machines reduce other 'counter-top' revenue streams
- quantities (particularly of profit generated per branch) are relatively low
- Slushy sales may cannibalise other dessert sales
- Ansoff suggests that product development carries risk.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement will come through the assessment of whether this approach will achieve Sanjay's targets – perhaps most importantly the 25% RoI mentioned in the case study. Other evaluative issues that may be raised include:

- forecast is from supplier – may be overly optimistic
- £420 extra contribution per branch per year is small in relation to current operating profit (around £67 000 per branch)
- if expansion goes ahead, overall financial effect of slushies will be greater
- will there be a significant opportunity cost – in terms of counter space?
- will Slushies complement existing menu?

Markers' note:

Any calculations that are accurate and used effectively to support an argument should be credited – make a reasonable attempt to understand where students' numbers have come from.

A calculation is one of the demands of the question, so the highest level that can be awarded without a calculation is level 3.

To earn credit for calculations they need to be used to develop an argument

If all that is present are correct calculations, without argument or judgement, Level 1

0	4	To what extent is Sanjay's use of SWOT analysis likely to help his strategic planning?
		Use information from Appendix C and the other information provided to justify your answer.
		[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8

1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	1–4
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The demands of this question are:

- use information from **Appendix C** and other information to analyse the usefulness of SWOT analysis
- make a judgement on the extent that Sanjay's SWOT will help strategic planning.

Indicative content:

- forces him to assess the external environment, plus encourages internal analysis
- may help identify and plan to overcome specific weaknesses or threats, such as how to execute a growth plan when the business is reliant on Sanjay's hands-on approach
- allows a strategy to be devised appropriate to his strategic position (eg building on strengths or capitalising on opportunities)

BUT

- Sanjay's own SWOT may lack objectivity – what he believes are strengths may not represent genuine sources of competitive advantage
- Sanjay's analysis has done little to address the threat of ongoing health concerns and income elasticity – illustrating that SWOT does not necessarily offer solutions.
- SWOT analysis done well could be useful, done poorly, may lack merit. Sanjay may have rushed his SWOT due to being busy.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement will come through the assessment of the usefulness of Sanjay's SWOT in the process of strategic planning. Issues to consider may include:

- the extent to which Sanjay has used his SWOT in devising future strategy
- the quality of decisions made using the SWOT analysis
- accuracy of information used when preparing the SWOT analysis.

0	5	Sanjay is considering two options for the growth of Speed-e-Puds Ltd. Would you advise him to choose Option 1 or Option 2? Justify your answer.	[20 marks]
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Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate:	Marks
5	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	17–20
4	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	13–16
3	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	9–12
2	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	5–8

1	A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	1–4
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The demands of this question are:

- analyse the two options
- make a justified recommendation whether to choose Option 1 or Option 2.

Indicative content:

Option 1 – organic growth

- though safer – due to control issues (easier to control directly employed staff), there is no way Sanjay's growth objective can be met. Current retained profits suggest only 2 branches a year (assuming all operating profit is available) could be opened – nowhere near enough to achieve the 15% national share expected
- external finance may be hard to source – gearing is high (90%) whilst private limited company status limits the amount that could be raised through share issues
- the company is generating profit, so should be able to fund steady growth in this way
- its financial position is somewhat precarious, suggesting that retained profit may be better used paying down debt.

Option 2 – franchising

- will allow rapid growth. Franchisees would provide the capital required. This may be the only chance for Sanjay to reach his target market share in three years
- Speed-e-Puds does have a key point of differentiation – the cooking method – patented by Sanjay, which would be unavailable to entrepreneurs considering starting up independently
- Sanjay feels the branding is a strength – vital if he is going to be able to attract potential franchisees
- franchising carries a greater risk of a loss of control – franchisees may fail to meet Speed-e-Puds Ltd standards and place the reputation of the brand at risk
- would cause major problems with Sanjay's 'hands-on' management style
- if growth is too fast, the company's precarious finances (current ratio and gearing ratio) may be over-stretched.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement will come through the assessment of the best option for growth in the light of Sanjay's objective of achieving a 15% share of the market in three years. Evaluative themes may include:

- the success of each depends on the ability to implement the strategy – if franchisees cannot be found or if profits dip and retained profit is not available the options may be unavailable
- depends on importance of hitting that growth objective relative to financial stability. This may depend on Sanjay's attitude to risk. The case suggests he is risk tolerant
- growth on the scale Sanjay aims to achieve may be unwise – perhaps his objective is unrealistic.

Markers' note: A response that only considers one option will not be able to access Level 4 or 5 as only some of the demands of the question would have been met

0	6	A key feature of Sanjay's business is differentiation provided by his innovative, speedy waffle maker. To what extent is successful innovation essential for all businesses choosing a strategy of differentiation? [24 marks]
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Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate	Marks
5	An excellent response overall that is fully focused on the key demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	21–24
4	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	16–20
3	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	11–15

2	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	6–10
1	A weak response overall lacking focus on the demands of the question Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	1–5

The demands of this question are:

- analyse the importance of innovation in determining the success of a differentiation strategy for any business
- make a justified judgement on whether innovation is essential for a differentiation strategy.

Indicative content:

Innovation may come through product or process innovation.

Innovation may be essential to successful differentiation because:

- can lead to first mover advantage
- can be patented to maintain competitive advantage
- creates a positive corporate image as an innovator
- may lead to cost or quality advantages.

However, other methods of differentiation are available:

- branding and other marketing-based sources of differentiation (including lowest price)
- mission and values (E.g. environmentally-friendly)
- more effective implementation of others' innovations
- some highly differentiated brands are different because they are perceived as traditional rather than innovative.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations/circumstances in which the statement could be true, weighed up against situations in which it is not.

Differentiation can come through a variety of routes. Not all of these are linked to innovation.

Some markets may lend themselves to differentiation through innovation more than others due to the rate of technological change.

Markers' Note: You may need to apply benefit of doubt to responses that mistakenly write diversification when they clearly mean differentiation. However, responses that clearly are writing about diversification **INSTEAD** of differentiation are not addressing the question set.