

**AS
BUSINESS
7131/1**

Paper 1 Business 1

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.

Further copies of this mark scheme are available from [aqa.org.uk](https://www.aqa.org.uk)

Copyright information

AQA retains the copyright on all its publications. However, registered schools/colleges for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2024 AQA and its licensors. All rights reserved.

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 good response? A reasonable one? A limited one? You are marking to the standard agreed at standardisation.
- 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.

Section A

Total for this section: 10 marks

Question number	Answer
01	A Statement 1 is true. Statement 2 is true.
02	B Long lead times
03	B set a high price and use price skimming.
04	D reduce the level of legal regulations required.
05	C Social/belonging needs must be satisfied before ego/esteem needs can be used to motivate employees.
06	D Statement 1 is false. Statement 2 is false.
07	D £27 000
08	C Increasing the price of a good which has price inelastic demand
09	D Lower labour turnover
10	C 50%

(1 mark for each correct answer)

Section B**Total for this section: 20 marks**

1	1	A small theatre business opens at the weekends.		
		This is the data recorded for one weekend.		
			Saturday	Sunday
		Number of seats sold	850	980
		Capacity of theatre (number of seats)	1000	1000
		Calculate the capacity utilisation for the weekend above.		
		[3 marks]		

Marks for this question: AO1 = 1 and AO2 = 2**The demands of the question are:**

- calculate the capacity utilisation in given example.

Indicative content:correct answer = 91.5% **(3 marks)**

broken down as follows:

total number of seats sold over the weekend (850 + 980) = 1830 (1 mark)

 $1830 / 2000 = 0.915$ (1 mark) $0.915 \times 100 = 91.5\%$ (1 mark)

if no valid calculations: award a maximum of 1 mark for a clear demonstration of valid knowledge (e.g. through showing correct formula)

alternative methods can be credited

own figure rule can be applied

1	2	Explain one way an increase in competition could lead to fixed costs rising for a business.
		[3 marks]

Marks for this question: AO1 = 1 and AO2 = 2

Level	The candidate will typically demonstrate:	Marks
3	Clear logical link between increased competition and impact on fixed costs.	3
2	Some link between increased competition and impact on fixed costs.	2
1	Some understanding about the effects of increased competition.	1

The demands of the question are:

- explain one way an increase in competition might lead to fixed costs increasing.

Indicative content:

- an increase in competition may mean that the business may need to spend more on advertising to compete with the rival, increasing advertising costs, which are a fixed cost
- an increase in competition may mean that the business may need to employ more customer service employees (or other staff) in order to compete with the rival on service, increasing staff salaries, which are a fixed cost.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

1 3

The following data applies to a business.

Selling price per unit	£5
Output	9000 units
Variable cost of each unit	£2
Expenses	£20 000

Calculate the operating profit margin (profit from operations margin) for the business.

[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2

The demands of the question are:

- calculate the operating profit margin (profit from operations margin) in the given example.

Indicative content:

For correct answer = **15.5% (4 marks)**

NB: accept an answer within the range of 15.5 to 15.6

Broken down as follows:

Revenue = £5 × 9000 units = £45 000 (**1 mark**)

Total variable costs = £2 × 9000 units = £18 000 (**1 mark**)

Operating profit (profit for operations) = £45 000 – £20 000 – £18 000 = £7000 (**1 mark**)

Operating profit margin (profit from operations margin) = $\left(\frac{£7\,000}{£45\,000} \right) \times 100 = 15.5\%$

if no valid calculations: award a maximum of 1 mark for a clear demonstration of valid knowledge (e.g. through showing correct formula)

alternative methods can be credited

own figure rule can be applied

1	4	A business sells one type of product. The demand for this product has an income elasticity of +4.
		Explain the impact on the revenue of this business if the incomes of consumers increase.
		[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain the impact of increasing consumer incomes on sales revenue of a product when income elasticity is +4.

Indicative content:

- income elasticity being +4 means that an increase in incomes will lead to an increase in demand for the product (of four times the increase in income). This will mean there is a significant increase in demand for the product and, therefore, the revenue of the business
- the product is a luxury, and people will desire it more with increased incomes. This means the business will experience a significant rise in sales revenues in line with this.

Students do not need to calculate any possible changes for them to gain the full 4 marks.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

1	5	Analyse how the use of technology might improve operational efficiency in a manufacturing business.	[6 marks]
----------	----------	---	------------------

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

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 good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	5–6
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 reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	3–4
1	A limited response overall with limited focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–2

The demands of the question are:

- analyse how the use of technology
- improves operational efficiency
- for manufacturing business.

Indicative content:

- an increase in the technology used in a business might improve the speed at which products can be manufactured. This may mean more output can be made in the same amount of time increasing efficiency
- if technology is used within a manufacturing business, then there may be a reduction in the number of human errors and therefore the waste from production can be reduced leading to lower unit costs and improved levels of efficiency
- some technology uses will mean that the amount of time production lasts for can be increased... so a larger total output can be manufactured as machines will work through weekends/breaks/etc.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Section C**Total for this section: 50 marks**

16	.	1	Analyse the factors Paul might consider when deciding whether to use debt factoring to improve cashflow.	[9 marks]
-----------	---	----------	--	------------------

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

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 good knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
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 reasonable knowledge and understanding of issues in the question - demonstrates analysis which is developed and is applied to the context.	4–6
1	A limited response overall with limited focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- analyse the factors Paul might consider when deciding whether to use debt factoring
- to improve cashflow.

Indicative content:

- debt factoring allows Paul to have the access to cash now and can be a quick way of accessing cash... currently, Paul is keen to get access to cash to buy materials at a significantly discounted level ('for orders by the end of this month')... but he has a number of customers who owe him a large amount of money and are yet to pay ('provides puzzles... but receives payment 3 months later') so there is access to large sums of cash that he can get very rapidly
- debt factoring would mean that Paul would get only 85% of the sales revenues that he would have received, in this case of record sales figures, so this would harm his revenue figures... this is a significant charge to his business... losing a large chunk of revenue will hit his gross profit margins... if he waits he may be able to collect 100% of sales revenue
- debt factoring as a source of cash means that Paul does not need to worry about paying interest to service a debt... with interest rates on a loan at 6% and rising... this means debt factoring could be a

very attractive way to get the cash without the worry of keeping up regular interest repayments which would impact on his future cashflow

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

16	.	2	Recommend whether Paul should take the investment offered for expansion by Holly or remain as a sole trader. Justify your answer.	[16 marks]
-----------	---	----------	--	-------------------

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the 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 that 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 • demonstrate 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 • demonstrate 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 focused on the question as a whole.	1–4

The demands of the question are:

- analyse reasons Paul should take the investment offered for expansion by Holly
- analyse reasons Paul should remain as a sole trader
- make a decision about whether Paul should take the investment offered for expansion by Holly or remain as a sole trader.

Indicative content:

- Paul wants to keep control of his business and has been very successful from carrying out decisions himself. If he continues like this, it is likely that he can meet his objectives of profit to supplement his pension but he will have to work more than his current stated objectives ('wanted to work 2 days a week'... worked more recently **but** has really enjoyed it')
- Paul would only be able to make decisions quickly on puzzle trends if he remains in total control of the business. This investor has no experience. At present he can do this as a sole trader. If decisions are made by someone else the puzzles may not meet the trends at the time which could increase the amount of stock that does not sell and worsen profits
- if Paul takes on the investment the decisions will be made someone else, but he should be able to revert to working 2 days a week and can enjoy his retirement which was one of his objectives. However, he is really enjoying the additional work at present
- taking on investment for expansion and converting to a private limited company will allow Paul to avoid the risk with stock bought and debts from retailers as he will move to limited liability rather than unlimited liability and leave him less exposed
- taking on investment will mean that Paul can expand his business quickly and potentially make three times the profits. Paul will only receive 40% of the increase in profits. Currently Paul earns around £40 000 profit. If he takes the limited company option, this might increase profit to £160 000 (assuming Holly's 'promise' is feasible) and he will get 40% (£64 000). He will also work less time.

Evaluation:

Overall, given that Paul set this up as a hobby, is enjoying it and the business is meeting his objective of adding to his pension it does not seem to make sense for him to take the risks with the investor. Despite the fact he may get some small increase in his returns, he is already meeting his objectives and seems content as he is. He would need to consider the benefits of the potential for working reduced hours and the implications for profit as well as the loss of control to someone who he does not know and has no experience (how plausible are Holly's promises around expansion and significantly increased profits?). Paul may well be more suited to making his own decisions (rooted in experience and expertise) quickly and staying on top of trends, even if he has to work harder. There may be some benefit to becoming a limited company in any case, but he can achieve this without needing an additional investor.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

17	.	1	Veronica has decided to make the deputy managers redundant.
			Analyse the possible impact of this decision on Refurb-iture Ltd's performance.
			[9 marks]

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

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 good knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
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 reasonable knowledge and understanding of issues in the question - demonstrates analysis which is developed and is applied to the context.	4–6
1	A limited response overall with limited focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- analyse how Veronica's decision to make deputy managers redundant
- might affect Refurb-iture's performance.

Indicative content:

- making the deputy managers redundant (and increasing the span of control) will mean they look after more staff so will have less time to support the staff, who are inexperienced (and already do 'not feel very well supported'). This may lead to further delays and less support which could lead to staff being less motivated. In this exclusive business this may also worsen the service offered and the image of this luxury brand will suffer
- increasing span of control should mean Veronica can cut costs. As staff costs are currently double their rivals this might help the business improve competitiveness for the brand and may allow them to reduce costs, perhaps contributing to achieving the third objective set by the shareholders of increasing profitability in the long term.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

17	.	2	Recommend whether Refurb-iture Ltd should choose garden furniture or office furniture for its expansion.
			Justify your answer.
			[16 marks]

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	An excellent response overall that is fully focused on the 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 that 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 • demonstrate 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 focused on the question as a whole.	1–4

The demands of the question are:

- analyse reasons why Refurb-iture should choose a garden furniture product for its expansion
- analyse reasons why Refurb-iture should choose an office furniture product for its expansion
- make a decision about which product is most suitable for Refurb-iture.

indicative content:

- the garden furniture has a much higher price point and a higher CPU (£1380 c/w £128) which might allow a much more significant increase in profitability for the business (which is a key aim set for Veronica by the shareholders)
- as the garden furniture option is based on 100% eco-friendly materials it is a much better fit with the current market position ('reclaimed & recycled materials') of the brand and should appeal to their current base of wealthy customers... this should maintain customer satisfaction more and lead to repeat purchases
- the garden furniture option has far fewer competitors so allows the business to keep a distinct brand and niche product... this may allow them to build sales in this market and increase profitability
- however, the market value of the office furniture option is much greater (£650m c/w £12m) and offers the possibility of a significant amount of revenue despite a potentially smaller share (a relatively smaller share of a much larger market could be worth a significant amount of revenue)
- as the market size is much larger for the office furniture, the market opportunity appears to be bigger which may allow the business to make rapid sales growth as required by the shareholders' objectives
- the office furniture start-up costs are much lower and may provide an opportunity for larger operating profits on the items overall and will also allow them to buy items at discounts if they sell in large quantities
- the office furniture market has seen a significantly greater market growth rate in the last 10 years and, therefore, may present a good opportunity with investment to make large returns in the long run in line with shareholders objectives

evaluation:

overall, the business is trying to maintain a 'niche' image of exclusivity for the wealthy ('exclusive and unique brand image')... if they opt for the garden furniture, it is much more likely they can do this and make high gross profit margins on all their products and also maintain an image for recycled / eco-friendly products... the office furniture market may be able to offer rapid growth but it may also be saturated with a lot of other competitors and despite lower initial investment cannot make the same level of margins as garden furniture

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.