



ADVANCED
General Certificate of Education
2022

Business Studies

Assessment Unit A2 1

assessing

Strategic Decision Making

[ABU11]

WEDNESDAY 25 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for GCE Business Studies.

Candidates should be able 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 of external and internal influences on individuals and organisations.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17 or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17 or 18-year-old GCE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations. If a candidate gives the correct answer without showing their working out, full marks should be awarded.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within either 3 or 4 levels of response.

Where there are three levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is good.

Level 3: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Good): The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

Level 3 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a very high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

Where there are four levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is good.

Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a satisfactory standard to make meaning evident.

Level 3 (Good): The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

Level 4 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

COVID-19 Context

Given the unprecedented circumstances presented by the COVID-19 public health crisis, senior examiners, under the instruction of CCEA awarding organisation, are required to train assistant examiners to apply the mark scheme in case of disrupted learning and lost teaching time. The interpretation and intended application of the mark scheme for this examination series will be communicated through the standardising meeting by the Chief or Principal Examiner and will be monitored through the supervision period. This paragraph will apply to examination series in 2021–2022 only.

1 (a) Explain one way in which the investment of £1.5 million in new technology might have impacted on communication within Irwin's.

- Overload of information
- Improvements in technology can increase motivation as it keeps employees up to date and facilitates 2-way communication
- Quicker transmission of communication inside the business
- 24 hours a day potentially communication
- Staff can be reached quickly at no extra cost
- Improved efficiency and reduced wastage
- Poor connectivity
- Staff research

Irwin's invested £1.5 million in new software and hardware systems to improve communication channels. The new investment in IT meant that staff are able to keep in touch while on the move through email, video conferencing, and skype (or other VoIP technology) calls. Irwin's production machines run more efficiently and improve productivity.

Marking:

AO1 [2]; AO2 [2]

[4]

(b) Explain two threats from its external environment that Irwin's must address to continue trading profitably.

Threats

- UK under threat from food scares
- Allergies
- Cost of production increasing
- External environment – recession/Brexit, labour costs rising
- Consumer tastes changing
- Consumer being more health conscious – less sugar and fat in diet
- Poor crops yield which lead to increased cost of production
- High Interest Rate
- Brexit/Protocol
- Competitors
- Security/Hacking
- Political Issues
- Government rules regarding Health/Safety Issues

Irwin's reported a trading loss for the financial year of £0.17m. This loss was a result of weather related crop yields, raw material and packaging costs increased at a greater rate resulting in the company reporting a trading loss.

Valid alternative answers will be credited.

[6]

10

Level 3 [5]–[6]

An excellent response demonstrates:

- Comprehensive and relevant accurate knowledge and understanding of explaining two threats from its external environment that Irwin's must address to continue trading profitably.
- Thorough and detailed use of relevant source material of explaining two threats from its external environment that Irwin's must address to continue trading profitably.

Level 2 [3]–[4]

A good response demonstrates:

- Good, accurate knowledge and understanding of explaining two threats from its external environment that Irwin’s must address to continue trading profitably.
- Good use of relevant source material of explaining two threats from its external environment that Irwin’s must address to continue trading profitably.

Level 1 [1]–[2]

A basic response demonstrates:

- Basic knowledge and understanding of explaining two threats from its external environment that Irwin’s must address to continue trading profitably.
- Limited use of relevant source material of explaining two threats from its external environment that Irwin’s must address to continue trading profitably.

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2 Evaluate Irwin's use of a bank loan to fund its new projects.

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A bank loan is money borrowed at an agreed rate of interest over a set period of time.

- Makes expensive purchases possible. Irwin's were able to invest £1.5 million in new IT software and a further £600,000 on a Fire Suppression System
- Payments can be spread out over a period of time therefore will help Irwin's cash flow
- Loans used for long term finance ideally. Fixed interest charges
- Can be obtained quickly and easily
- Irwin's may have liquidity problems
- Interest charges on the £2.1m bank loan may be a cheaper method of finance
- Financial situation may change over time (better or worse). Irwin's made a loss in 2017 and 2018
- Uncertainty in external environment – Brexit, rising raw material, labour costs
- Increased risk due to financial losses.

Marking:

Level 3 [11]–[15]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of a bank loan.
- Appropriate use of relevant source material, to fully support a detailed analysis.
- Well-focused and sound analysis.
- Highly appropriate, clear and logical evaluation.
- An excellent quality of written communication.

Level 2 [6]–[10]

A good response demonstrates:

- Good knowledge and understanding of a bank loan.
- Mostly appropriate use of relevant source material to support the analysis.
- Good analysis of relevant issues.
- Mostly appropriate, clear and logical evaluation.
- Good quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding of a bank loan.
- Basic use of relevant source material to support the analysis. Some references to source material may not be appropriate.
- Basic analysis of relevant issues.
- Basic evaluation.
- Basic quality of written communication.

Answers not worthy of credit [0] marks.

Valid alternative answers will be credited.

[15]

15

3 Evaluate the use of Irwin’s long term objective of Caring for the Environment.

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- There is growing evidence that consumers are attracted to firms with environmentally friendly policies
- Can be used to promote the business in its mission statement
- The business will be seen as a “responsible and caring organisation” and could lead to more investment
- Can give the firm a competitive edge. It is likely to generate very positive publicity for the company and so further increase sales revenue and profits
- Highlights the need to focus on carbon footprint and the impact on the world
- The firm may qualify for grants for solar power/energy saving techniques, etc.
- Viewed as an ethical business so will attract high quality employees
- Research and development costs are significant – perhaps this money could have been spent on other things to improve the efficiency of the business
- Going “green” can lead to higher prices for consumers, e.g. 100% compostable packaging costs more
- Time is required to conduct an environmental audit and draw up an environmental policy
- There is no guarantee that it will attract customers
- Staff training
- Attract good staff
- Conflict of objectives
- Achieve competitive advantage

Level 4 [16]–[20]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of the objective caring for the environment.
- Appropriate use of relevant source material, coming to a fully supported argument.
- Well-focused and sound analysis.
- Highly appropriate, clear and logical evaluation.
- An excellent quality of written communication.

Level 3 [11]–[15]

A good response demonstrates:

- Good knowledge and understanding of the objective caring for the environment.
- Mostly appropriate use of relevant source material to support the analysis.
- Good analysis of relevant issues.
- Mostly appropriate, clear and logical evaluation.
- Good quality of written communication.

Level 2 [6]–[10]

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of the objective caring for the environment.
- A suitable, appropriate evaluation, based on reasonable analysis.
- A satisfactory use of source material, coming to a partially supported argument.
- A satisfactory quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding of the objective caring for the environment.
- Basic use of relevant source material to support the analysis. Some references to source material may not be appropriate.
- Basic analysis of relevant issues.
- Basic evaluation.
- Basic quality of written communication.

Answer not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[20]

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20

- 4 Evaluate the use of the Ansoff Matrix as a decision making tool for Irwin's for product development and market penetration purposes.

Ansoff's Matrix is a decision-making tool for management to help analyse the strategic position of the firm and plan the way forward.

- The Matrix sub-divides the options into four specific strategies that management can consider, e.g. Irwin's has chosen a growth strategy through product development and market penetration – Better You pan breads, new range of Rankin breads, low sugar products
- Further growth may be considered by management through market penetration with special deals, building brand loyalty, sales at weekends
- Management can focus on the risks associated with these strategies
- Using Ansoff's Matrix can assist the firm in estimating the likely outcome of any marketing decision taken within the context of its business plan
- The Matrix can assist the management in ascertaining the level of risk involved in each strategy
- Cost of using secondary research companies to gather information for market penetration and product development
- Ansoff's Matrix is too simplistic and even if Irwin's follows either strategy there is no guarantee of success, e.g. the Brexit/recession will impact on any growth strategy
- The main focus of Ansoff's Matrix is market potential rather than the resources the firm requires to support its chosen strategy
- Decisions based on Ansoff's Matrix can be subject to bias by a particular manager who wishes to pursue a particular course of action
- Quality of decision-making improved

Marking:

Level 4 [16]–[20]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of Ansoff's Matrix.
- Highly appropriate, clear and logical evaluation, based on well focused and sound analysis.
- Appropriate use of relevant source material, coming to a fully supported argument.
- An excellent quality of written communication.

Level 3 [11]–[15]

A good response demonstrates:

- Sound and accurate knowledge and understanding of Ansoff's Matrix.
- An appropriate, clear and logical evaluation, based on focused analysis.
- Mostly appropriate use of relevant source material, coming to a supported argument.
- A good quality of written communication.

Level 2 [6]–[10]

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of Ansoff's Matrix
- A suitable, appropriate evaluation, based on reasonable analysis.
- A satisfactory use of source material, coming to a partially supported argument.
- A satisfactory quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding of Ansoff’s Matrix.
- Basic evaluation, based on limited or no relevant analysis.
- References to source material may not be appropriate.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[20]

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20

5 Evaluate Irwin's performance for the period 2017–2018 using extracts from its published accounts stated in Table 2. (Candidates are not required to calculate any accounting ratios).

- Irwin's sales revenue has increased to £30.16m from 2018 to £29.42m in 2017, due to new sales plan and new product development
- Gross profit has decreased to £7.46m from £7.85m, this may have been due to cost of sales increase as a result of increased purchase price as poor crop yield
- Irwin's made a Loss in 2018 of £0.17m and £0.41m in 2017, this is worrying for shareholders. This may have happened due to poor exchange rate, a poor crop yield therefore prices increased. Raw material and packaging costs increased causing expenses to rise
- This result is not favourable. Preventative measures needed to avoid liquidity problems and retain investor confidence. However, the company are able to cover their short term debt
- Current Assets have decreased from £6.13m to £5.95m, due to decreases in cash
- Current Liabilities have increased from £8.20m to £8.34m, this may be due to overdraft, reduced liquidity and increased financial risk.

	2018 £	2017 £
Sales Revenue	30.16m	29.42m
Cost of Sales	22.7m	21.57m
Gross Profit	7.46m	7.85m
Loss for Year	(0.17m)	(0.41m)
Current Assets	5.95m	6.13m
Current Liabilities	8.34m	8.20m
Capital Employed	2.02m	2.37m

Level 4 [20]–[25]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of the change in financial performance.
- Highly appropriate, clear and logical evaluation, based on well focused and sound analysis of the change in financial performance.
- Appropriate use of relevant source material, coming to a fully analysed argument of the change in financial performance.
- An excellent quality of written communication.

Level 3 [14]–[19]

A good response demonstrates:

- Sound and accurate knowledge and understanding of the change in financial performance.
- An appropriate, clear and logical evaluation, based on focused analysis of the change in financial performance.
- Mostly appropriate use of relevant source material, coming to a partially supported analysis of the change in financial performance.

- A good quality of written communication.

Level 2 [8]–[13]

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding of the change in financial performance.
- A suitable, appropriate evaluation, based on reasonable analysis of the change in financial performance.
- A satisfactory or appropriate use of source material, coming to a partially supported analysis of the change in financial performance.
- A satisfactory quality of written communication.

Level 1 [1]–[7]

A basic response demonstrates:

- Basic knowledge and understanding of the change in financial performance.
- Basic evaluation, based on limited or no relevant analysis of the change in financial performance.
- References to source material may not be appropriate.
- A basic quality of written communication.

Answer not worthy of credit **[0]** marks.

Valid alternative answers will be credited.

[25]

25

Total

90

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