



Rewarding Learning

ADVANCED
General Certificate of Education
2025

Business Studies

Assessment Unit A2 1

assessing

Strategic Decision Making

[ABU11]

TUESDAY 20 MAY, MORNING

**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.

- 1 (a) (i) Using the data in **Table 1**, calculate the Net Present Value (NPV) for self-service checkout Model B. (Show your workings clearly in the table, to the nearest £).

Machine B	Cash Flow	10% Discount factor	Present Value (£)
Year 1	£250,000	0.9091	227,275
Year 2	£250,000	0.8264	206,600
Year 3	£300,000	0.7513	225,390
Year 4	£300,000	0.6830	204,900
		Total Present Value	864,165
		Initial Cost	(800,000)
		Net Present Value	£64,165

[3]

- (ii) Given that the NPV of Model A is £9,650, state which self-service checkout Model (A or B), the board of directors should invest in:

Answer: **Model B**

[1]

Year 4	204,900
Total Net Present Value	864,165
Net Present Value	64,165
Model A or B	Model B

(b) Explain **two** reasons why the board of directors of MSM Plc should carry out investment appraisal.

- To replace/update equipment currently in use investment in cost-saving equipment aimed at reducing operating costs. MSM Plc's management team are aware that they need to invest in new technology to improve business operations. The increased use of self-service checkout equipment with contactless payment options, facilitates an enhanced customer experience as customers complete their checkout experience quicker and can monitor their spending as they shop.
- To remain competitive within the industry.
- To facilitate expansion of business operations and growth within the business, e.g. MSM Plc investing in machine to help with new vegan product range.
- To enable a business to invest in equipment in order to meet legislative requirements, e.g. health & safety.
- To invest surplus cash and ensure continued investment
- Investment in another business (takeover/merger) in order to gain market share.
- Evaluate profitability/returns of investment projects (e.g. Model B).
- Helps with risk assessment.
- Improves decision making.
- Allows for comparison between different projects/machines.
- It compares quantitative data.

Marking:

- 2 reasons well explained and applied [6]
- 2 reasons well explained, good application [5]
- 2 reasons explained, limited application [4]
- Up to 2 reasons explained, some application [3]
- Up to 2 reasons explained, limited application [2]
- 1 reason explained, no application [1]

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

[6]

10

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- 2 Evaluate the strategies to deal with the conflict that may arise between customers and the board of directors of MSM Plc, as a result of closing stores.

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Improved communications:

- Management will have to advise staff being made redundant or redeploy some staff to other branches. Affect morale and communication issues with staff, which need addressed to help staff.
- Management will need to reassess their strategic plans and goals in light of store closures, may need to redirect resources etc. – and help customers using a helpline, to retain market share.
- Financial – management will need to analyse the financial implications of closing two stores, considering factors such as cost savings, potential loss of revenue and impact on overall profits – including the costs of funding this strategy and helpline
- Operations – management will need to make operational adjustments to cope with reduced numbers of stores, and alert customers to their nearest store or online facility to maintain goodwill.

Ignore the problem/force a solution:

- Convenience – customers may have to travel farther to reach nearest store, or offer free delivery.
- Product availability – customers may have reduced access to certain products or brands – encourage customers to use App, free delivery or loyalty card scheme to retain customers
- Customer service – with fewer stores available, customer may experience longer wait times and reduced level of customer service, thus redirect them to online facility.
- Community impact – store closures can have broader impacts on the local community, including potential job losses and decreased economic activity in the area – need to engage in a PR strategy.
- Alternative options – customers may shop online instead.

Marking:

Level 3 [11]–[15]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of strategies to deal with conflict between the directors and customers.
- Appropriate use of relevant source material, to fully support a detailed evaluation of the strategies to deal with conflict.
- 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 strategies to deal with conflict between the directors and customers.
- Mostly appropriate use of relevant source material to support the evaluation of the strategies to deal with conflict.
- 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 strategies to deal with conflict between the directors and customers.
- Basic use of relevant source material to support the evaluation of the strategies to deal with conflict. 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.

[15]

**AVAILABLE
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15

3 Evaluate the use of MSM Plc's long-term objective of improving the company's corporate image.

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- Focusing on corporate image ensures the business generates enough revenue to cover expenses and help with future growth of the business.
- Shareholder satisfaction – profitability often leads to higher returns for shareholders which can increase investor confidence improving the corporate image. In the six-month period to September 2023, MSM Plc reported that profits had risen to £360.2m (2022: £205.5m).
- Competitive advantage – improved corporate image allows a business to reinvest in innovation, technology letting them gain an advantage in the market. The increased use of self-service checkout equipment with contactless payment options, facilitates an enhanced customer experience.
- More investors will want to invest in MSM.
- Employee pressure – staff put under pressure to meet targets.
- The pursuit of this objective could lead to cost cutting measures.
- It will cost MSM Plc money to improve their image – may have negative impact on profit or growth.
- Having a strong corporate image could allow for an increase in prices – food, clothing and home range products.
- Good corporate image can improve their social media.
- Attracts and motivates high-quality employees
- No guarantee that it will increase market share.

Marking:

Level 4 [16]–[20]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of corporate image as an objective.
- Appropriate use of relevant source material, coming to a fully supported evaluation.
- 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 corporate image as an objective.
- Mostly appropriate use of relevant source material to support the evaluation.
- 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 corporate image as an objective.
- A suitable, appropriate evaluation, based on reasonable evaluation.
- 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 use of relevant source material to support the evaluation. 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.

[20]

**AVAILABLE
MARKS**

20

4 Evaluate the use of a decision tree in (Fig. 1) by the board of directors of MSM Plc in deciding whether to launch the new Vegan product range.

- The construction of the decision tree (Fig.1) will show MSM's management team the alternative courses of action and the expected outcomes, e.g. Rebranding existing products at £7.4m compared to launch new Vegan products at £8m (This information will be important in determining future profitability).
- Key members of the management team in MSM's may be forced to take account of the risks involved in alternative projects and consider their relative importance.
- Placing numerical values on probabilities and expected outcomes (see Fig.1) may tend to improve the quality of decisions made by MSM.
- As shown in Fig.1 decision trees are relatively easy to construct and may give a better understanding/view of the complex investment project.
- Information used in the decision tree diagram (Fig.1) by MSM is based on estimates and probabilities which may be unrealistic. The significance is that this information may be inaccurate.
- Key decisions taken by the MSM should not only be based on quantities and probabilities alone – qualitative factors such as culture and customs of MSM/employee/customer/ stakeholder attitudes/opinions should also be considered.
- Members of MSM management team may manipulate the data to support a specific course of action, this would alter the outcome and impact negatively on future performance and reputation of MSM.
- Clear visual aid based on quantitative data.
- Shouldn't be used as a stand-alone decision making tool – the Vegan has a 70% chance of failure.

Marking:

Level 4 [16]–[20]

An excellent response demonstrates:

- Comprehensive and relevant knowledge and understanding of the use of a decision tree.
- 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 the use of a decision tree.
- 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 the use of a decision tree.
- 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 use of a decision tree.
- 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]

20

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5 Evaluate the use of a SWOT analysis by the board of directors of MSM Plc as a decision-making tool.

- Enables the management team to make business decisions effectively. MSM hope that the SWOT analysis can provide a roadmap for strategic decision-making.
- Provides the management team with an insight to the key strategic decisions to be made regarding achievement of business objectives.
- Enables the management team to budget and plan for resources in order to achieve key objectives. MSM hope the plan will identify market opportunities and enhance overall efficiency.
- Enables the management team to secure debt finance in order to fund the business required. MSM invest in new machinery to improve efficiency, reduce production costs, enhance product quality, to stay competitive in the market.
- Enables the board of directors to identify its internal and external position.
- Facilitates the management team in making comparisons with actual performance and deciding areas for improvement.
- MSM is aware that the SWOT analysis will need regular updating to adapt to changing external environment.
- Time consuming to prepare – may take away from other aspects of the business (distraction etc) May need to allocate a team of people to create a business plan as well as pay for market research etc to be carried out.
- May not always be accurate, particularly regarding the assumptions made about markets, customer behaviour and financial impacts of key decisions.
- Could be too rigid especially in the current economic climate.
- Only a forecast – figures etc are only predictions based on market research or past data – no guarantee of success.
- The SWOT analysis may be limiting; meaning MSM may not take any risks or do anything that is not stated in the analysis. This could hold the company back.
- Helps the business to identify strengths/weakness/opportunity/threats.

Marking:

Level 4 [20]–[25]

An excellent response demonstrates:

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

Level 3 [14]–[19]

A good response demonstrates:

- Sound and accurate knowledge and understanding of the usefulness of a SWOT analysis.
- An appropriate, clear and logical evaluation, based on focused analysis of the SWOT.
- Mostly appropriate use of relevant source material, coming to a partially analysis of the SWOT.
- A good quality of written communication.

Level 2 [8]–[13]

A satisfactory response demonstrates:

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

Level 1 [1]–[7]

A basic response demonstrates:

- Basic knowledge and understanding of the usefulness of a SWOT analysis.
- Basic evaluation, based on limited or no relevant analysis of the SWOT.
- 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]

Total

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MARKS**

25

90