



Rewarding Learning

ADVANCED
General Certificate of Education

Business Studies

Assessment Unit A2 2

assessing

The Competitive Business Environment

[ABU21]

Assessment

**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 Explain how Greiner Packaging Limited’s financial statements are used by the management team to measure its financial success. (AO1 [3] AO2 [3]) [6]

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	2017	2016
Sales Receipts	£40.1 million	£34.6 million
Gross Profits	£6.9 million	£7.4 million
Net Profit before Interest	£2.23 million	£2.86 million
Interest Payable	£95,157	£89,402

Management will compare all of the figures and compare to previous targets set to determine if business is achieving its objectives. Explain each figure in the final accounts to determine why target was not achieved or how target was achieved.

Identification of Figures from Table 1 (From 2016 to 2017)

- Sales Receipts increased by approx. £5.523 million, 15.9% increase from 2016.
- Gross Profit decreased by £502,087.
- Net profit decreased by £631,775, need to be investigated and corrected.

Marking:

Level 3 [5]–[6]

An excellent response demonstrates

- Comprehensive and relevant, accurate knowledge and understanding, explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.
- Thorough and detailed use of relevant source material, explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.

Level 2 [3]–[4]

A good response demonstrates

- Good, accurate knowledge and understanding, explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.
- Good use of relevant source material explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.

Level 1 [1]–[2]

A basic response demonstrates

- Basic knowledge and understanding, explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.
- Limited use of relevant source material explaining how Greiner Packaging Ltd’s financial statements are used by management to measure its financial success.

Answers not worthy of credit [0] marks

[6]

Valid alternatives accepted.

The question requires an explanation of only two reasons how Greiner Packaging Limited's financial statements are used by the management team to measure its financial success. Any additional explanations will not attract any marks.

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- 2 Analyse the likely effects of interest rate increases, as shown in **Fig. 1** on the financial position of Greiner Packaging Ltd.
(AO1 [3] AO2 [3] AO3 [3])

[9]

Details	2017 (£)	2016 (£)
Bank Loans & Hire Purchase	2,537,868	1,235,665
Interest Paid	95,157	89,402
Profits after interest	2,140,566	2,778,096
	2017	2016
Interest Rate	0.5%	0.25%

- As interest increase from 0.25% to 0.5% (in the period 2016 to 2017) implies that interest charges will also increase, reducing overall profits (after interest charges) from £2,778,096 to £2,140,566.
- Interest costs based on bank loans will increase from £89,402 to £95,157 which will potentially decrease profits by a further £5,755 over the period.
- Interest rates increases could affect Greiner's future investment plans in the company as it may become too expensive to fund future investments – investment costs have decreased by £434,488.
- Company may benefit from higher interest rates if it has monies on deposit, which increases interest income and therefore profits.
- Reduced profits will impact shareholders dividends as less profits are available to re-invest or pay a dividend to shareholders.

Marking:

Level 3 [7]–[9]

An excellent response demonstrates:

- Comprehensive and relevant, accurate analysis of the likely effects on Greiner Packaging Ltd profits of interest rate increase in 2017.
- Thorough and detailed use of relevant source material to analyse likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017.

Level 2 [4]–[6]

A good response demonstrates:

- Good, accurate analysis of likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017.
- Good use of relevant source material to analyse likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017.
- Limited use of relevant source material to analyse likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017.

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

[9]

The question requires a discussion of only two likely effects on Greiner Packaging Ltd profits of the interest rate increase in 2017. Any additional ways analysed will not attract any marks.

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3 Evaluate the impact for Greiner Packaging Limited of its Blue Packaging Sustainability Strategy. (AO1 [3] AO2 [4] AO3 [4] AO4 [4]) [15]

- Greiner Packaging Limited is committed to protecting this planet and its inhabitants and that is why sustainability is very important to the company. It has solidly embraced sustainability as part of its “Blue Packaging Strategy”. It’s Blue Packaging or sustainability strategy is its promise to act in an ecological and socially responsible manner towards the environment, society and its customers.
- It uses innovative and cost effective approaches when it comes to its raw materials, logistics and infrastructure.
- Examples of sustainability include raw material alternatives, short delivery distances, reuse of released energy sources and renewable energies.
- Brand image and good publicity giving competitive advantage.
- Eco-Friendly status increases demand for its products.
- Keeping up with the competition in face of consumers changing preferences.
- Expensive regulating sustainability from start of process to end of process.
- Additional investment costs in acquiring sustainable new technology.
- Switching to new material alternatives may not have same quality.

Level 3 ([11]–[15])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy”.
- Highly appropriate, clear and logical recommendation of the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy” based on well focused and sound analysis.
- Thorough use of relevant source material to address the issues in the question, coming to an informed decision to fully support the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy”.
- An excellent quality of written communication.

Level 2 ([6]–[10])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy”.
- An appropriate, clear and logical recommendation of the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy” based on well focused analysis.
- Good use of relevant source material to come for an informed decision on the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy”.
- A good quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation for the impact of Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy”.
- Basic recommendation on the impact for Greiner Packaging Limited’s “Blue Packaging Sustainability Strategy” with limited or no relevant analysis.
- Limited use of data from source material which does not support the final recommendation.
- A basic quality of written communication.

Answers not worthy of credit [0] marks

[15]

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15

4 Evaluate the implications for Greiner Packaging Limited of changing consumer preferences concerning the use of plastic packaging as detailed in the Mintel Report.

(AO1 [3] AO2 [4] AO3 [5] AO4 [8])

[20]

- The spotlight on plastic packaging and its environmental impact will be a key driver of change in the food and drinks market industry. Consumers' expectations for sustainable packaging are set to heighten demand for alternative materials. Greiner needs to investigate alternatives to plastic packaging otherwise their customers will divert to their plastic free competitors.
- Responding to the shifting demographic backdrop is also vital, given the growing number of small households and growing population. Greiner needs to look at their business's changing market segmentation and address it otherwise their customers will turn to their competitors.
- Plastic packaging is associated with being difficult to recycle and with countries ageing populations there is a growing need for plastic products to cater for the older generation. Greiner needs to address this issue otherwise competitors will address their complaint and they will lose customers.
- Plastic food packaging that is re-sealable appeals to the majority of consumers. Greiner needs to investigate the package re-sealable market for the growing elderly community.
- Strong interest in buying loose food products like fruit and vegetables, suggest a future for plastic free aisles in supermarkets. This will have a major impact on Greiner if consumers are looking to move away from packaging altogether in fresh fruit and vegetables or look to smaller packaging.
- Many consumers expect plastic food companies to make food packaging sustainable.

Final judgement:

How to address and implement the conclusions of the Mintel Report should be discussed by Greiner Senior Management and strategies put in place to address the changing consumer preferences but to be aware of how its resources will be used to accommodate these changing preferences, taking into consideration the reliability of the research findings.

Level 4 ([16]–[20])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- Highly appropriate, clear and logical judgement of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report based on well focused and sound analysis.
- Thorough use of relevant source material of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- An excellent quality of written communication.

Level 3 ([11]–[15])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- An appropriate, clear and logical judgement of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report based on well focused analysis.
- Good use of relevant source material to the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- A good quality of written communication.

Level 2 ([6]–[10])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- A suitable, appropriate judgement of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report, based on well focused analysis.
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- Basic or no judgement based on limited analysis of the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- Limited use of relevant source material to the implications for Greiner Packaging Limited of changing consumer preferences to the use of plastic packaging as detailed in the Mintel Report.
- A basic quality of written communication.

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

[20]

20

- 5 Evaluate the possible effects of the UK Governments proposal to tax all plastic goods sold on Greiner Packaging Limited. (AO1 [3] AO2 [4] AO3 [5] AO4 [8]) [20]

- The most natural policy aimed at reducing plastic consumption would be to increase its price through tax to each plastic product sold.
- Greiner have stated that they are going to increase prices in 2018 to recoup losses in 2017 which will have a major effect on their demand, a further plastic tax will decrease demand even further.
- A tax charge may further increase prices and affect their demand which may decrease sales of plastic goods.
- It will force Greiner to look at cheaper alternatives – possibly of a lower quality standard, which may increase sales revenues and profits.
- It will involve further investment in plant and machinery to produce the cheaper alternatives which will increase costs in the short term, in the longer term it may decrease costs and increase sales revenue through lower prices.
- Expensive advertising campaign to highlight the price increases and reasons for the price hikes which will affect profits.
- Eliminate problematic and unnecessary plastics.
- 100% of plastic recyclable, reusable or compostable, improving Greiner's C.S.R. and increased sales.
- Improved waste collection and recycling.
- Greiner will face additional admin burden as a "plastic tax" collection which can affect cash flow.

Final Judgement:

Additional charges imposed on Greiner's sales of plastic products will have a major effect on demand for its products, may fall and therefore its sales revenue will fall as customers will look to cheaper alternatives and may not return to Greiner. All plastic packaging will attract this charge but not non plastic packaging and could force Greiner to look at alternative non plastic packaging manufacturing which can prove extremely expensive without government financial assistance.

Level 4 ([16]–[20])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- Highly appropriate, clear and logical judgement of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold, based on well focused and sound analysis.
- Thorough use of relevant source material to the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- An excellent quality of written communication.

Level 3 ([11]–[15])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- An appropriate, clear and logical judgement of the possible effects on Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold, based on well focused analysis.
- Good use of relevant source material to the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- A good quality of written communication.

Level 2 ([6]–[10])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- A suitable, appropriate judgement of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold, based on well focused analysis.
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- Basic or no judgement based on limited analysis of the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- Limited use of relevant source material to the possible effects for Greiner Packaging Limited of the UK Governments proposal to tax all plastic goods sold.
- A basic quality of written communication.

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

[20]

20

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6 Evaluate the reasons why Greiner Packaging Limited may resist the change to move away from plastic manufacturing. (AO1 [3] AO2 [4] AO3 [5] AO4 [8]) [20]

- Provides opportunities for alternative materials the higher costs of production in comparison to plastics is a barrier, particularly in the current climate and rising food prices.
- The rise of the use of plastics packaging has resulted in lower costs, compared to the use of non-plastic packaging.
- The lightweight packaging reduces the costs of transport.
- Plastic packaging enhances product shelf life.
- Plant and machinery costs of £24 million may become obsolete.
- These objectives being proposed may not deliver increased sales revenue and profits to Greiner Packaging Limited.
- Setting ambitious goals to remove all plastic packaging and replace them with recyclable or more sustainable alternatives brings many new questions and challenges including carbon emissions, chemical pollution and product waste.
- However, the main solution to plastics is better waste collection and recycling. Some of the biodegradable additives in plastic allowing it to break down makes it harder to recycle and is potentially harmful to the environment.
- Greiner Packaging Limited continued use of bioplastics must find ways to outcompete conventional plastics and break down conventional plastic's competitive edge in the market.
- This will require vast amount of investments on Plant and Machinery, investments into research on new alternatives to plastic and pricing reviews.
- This will require huge government financial support.

Final Judgement:

Greiner have invested over £24 million to date on plant and machinery to produce cheaper plastic packaging products with guaranteed demand. Moving away from manufacturing plastic products will make the machinery obsolete, a loss of £24 million. Greiner cannot change to the more expensive non plastic products overnight with little demand as it is expensive. New plant and machinery must replace the obsolete and they may not have the funds to replace at short term.

Level 4 ([16]–[20])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- Highly appropriate, clear and logical judgement of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing as demanded by its customers, based on well focused and sound analysis. Thorough use of relevant source material the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- An excellent quality of written communication.

Level 3 ([11]–[15])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- An appropriate, clear and logical judgement the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing, based on well focused analysis.
- Good use of relevant source material to the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- A good quality of written communication.

Level 2 ([6]–[10])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- A suitable, appropriate judgement of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing, based on well focused analysis.
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- Basic or no judgement based on limited analysis of the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- Limited use of relevant source material the reasons why Greiner Packaging Limited may resist a move away fully from plastic manufacturing.
- A basic quality of written communication.

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

[20]

20

Total

90

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Source

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