



*Rewarding Learning*

**ADVANCED**  
**General Certificate of Education**  
**2024**

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## **Business Studies**

**Assessment Unit A2 2**

*assessing*

**The Competitive Business Environment**

**[ABU21]**

**THURSDAY 6 JUNE, MORNING**

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**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 the management team of TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change, arising from the introduction of new machinery.

Participation and Involvement – Employees will become more involved in the idea of new machinery. Bring them on-board more, otherwise they will resist the change. Effective participation can lead to more committed staff. It can speed up the change and help to avoid delays in moving to the new machinery.

Facilitation and Support – Some employees will need to be supported during the new machinery being implemented. This can include training on the new machinery. If fear and anxiety is causing resistance then facilitation and support can help to overcome this.

Valid alternatives will be credited.

**Marking:**

**Level 3 [5]–[6]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding of how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the changes of introducing new machinery.
- Thorough and detailed use of relevant source material, explaining how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change of introducing new machinery.

**Level 2 [3]–[4]**

A good response demonstrates:

- Good, accurate knowledge and understanding of how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change of introducing new machinery.
- Good use of relevant source material explaining how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change of introducing new machinery.

**Level 1 [1]–[2]**

A basic response demonstrates:

- Basic knowledge and understanding, explaining how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change of new machinery.
- Limited use of relevant source material explaining how TF Ltd. can use Kotter and Schlesinger’s model to overcome resistance to the change of introducing new machinery.

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

Valid alternatives accepted.

[6]

6

- 2 Analyse how TF Ltd. might be impacted by the recovery phase of the business cycle.

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MARKS

As of 2022 the UK and Northern Ireland economy is experiencing a recovery in the construction industry.

**Impact of a recovery:**

- There is an increasing trend in consumer and business confidence.
- Consumer spending rises. Spending more on DIY and houses.
- Economic growth is on the increase.
- TF Ltd may increase productivity. This means it is easier for TF to recruit staff.
- Unemployment levels decrease with new employment opportunities – In 2022 the demand for bricklayers went from 2200 in 2021 to 2300 in 2022. In 2022 the demand for architects went from 1500 in 2021 to 1600 in 2022.
- Inflation rates tend to increase very slowly – inflation in 2022 was at 6.2% minimum and the rise in inflation is expected to slow down in 2023 having reached 10% in Jan 2022. This leads to increased costs.
- The levels of business capital investment increase as cheap bank loans are made available.
- Profits may increase due to demand going up – during recovery phase. These may be reinvested.
- The recovery may be short term.

**Marking:**

**Level 3 [7]–[9]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate analysis of how TF Ltd might be impacted by the recovery phase of the business cycle.
- Thorough and detailed use of relevant source material to analyse how TF Ltd might be impacted by the recovery phase of the business cycle.

**Level 2 [4]–[6]**

A good response demonstrates:

- Good, accurate analysis of the advantages of how TF Ltd might be impacted by the recovery phase of the business cycle.
- Good use of relevant source material to analyse how TF Ltd might be impacted by the recovery phase of the business cycle.

**Level 1 [1]–[3]**

A basic response demonstrates:

- Basic analysis of the advantages of how TF Ltd might be impacted by the recovery phase of the business cycle.
- Limited use of relevant source material to analyse how TF Ltd might be impacted by the recovery phase of the business cycle.

Answers not worthy of credit [0] marks.

[9]

9

3 Evaluate the use of a bank overdraft to finance the purchase of new machinery by the management team of TF Ltd.

- Simple to apply for – quick process.
- TF Ltd. can increase the bank overdraft in the short-term.
- Being a short-term debt, e.g. up to £480k, it should be paid off quickly.
- More accessible than bank loan.
- More flexible than loan as amount withdrawn can vary from day/month.
- TF Ltd. are only charged interest daily on amount by which the account is overdrawn.
- Short-term debt does not increase overall gearing.
- Can be expensive as charged variable rate of interest on the amount overdrawn. An overdraft of £480,000 will incur high charges. Int. Rate was 3.5% by Dec 2022.
- Banks will only allow the overdraft facility if business is credit worthy.
- Bank can demand repayment of an overdraft at any time.
- Many businesses are forced to cease trading due to withdrawal of overdraft facilities by bank.
- Not suitable for long term capital expenditure, £80,000.

**Marking:**

**Level 3 [11]–[15]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the use of a bank overdraft to finance the purchase of new machinery.
- Highly appropriate, clear and logical recommendation of the use of a bank overdraft to finance the assembly line machinery 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 of using a bank overdraft.

**Level 2 [6]–[10]**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the use of a bank overdraft to finance the purchase of new machinery.
- An appropriate, clear and logical recommendation of the impact of TF Ltd. trading using a bank overdraft based on well focused analysis.
- Good use of relevant source material to come for an informed decision on TF Ltd. using a bank overdraft.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the use of a bank overdraft to finance the purchase of new machinery.
- Basic recommendation on the impact of TF Ltd. using a bank overdraft with limited or no relevant analysis.
- Limited use of data from source material which does not support the final recommendation.

Answer not worthy of credit [0] marks.

[15]

15

AVAILABLE  
MARKS

4 Evaluate the economic instruments used by the UK Government to control inflation.

Fiscal – Taxation – The UK government can use income tax (direct), corporation tax (direct), VAT (indirect), as a strategy to control inflation. If the government wants to reduce consumer spending, then they can increase VAT.

Government expenditure – the UK government can make changes to pensions, unemployment benefits and other benefits. If the UK government increases pensions this means that consumers have more to spend, and inflation can rise further. One strategy is to lower the pension rate and lower benefits.

Monetary – Interest rates – if the UK government wants to reduce inflation, they can increase interest rates. This means that consumers save more and borrow less. This means that interest rates on mortgages will go up – this means that less people might apply for a mortgage because they are too expensive. This means that the demand for houses can fall. As interest rates change it may have an impact on exchange rates, e.g. strong pound SPICED.

Supply – side policies – these include improving the quality of the labour force, limiting the power of trade unions and reducing labour costs, cutting government spending, deregulation (removing red tape/paperwork). The UK government could lower the National Living Wage/National Minimum wage – this means that TF Ltd. employees will earn less. This means less money will be flowing round the economy and this is likely to lower spending in the economy.

**Marking:**

**Level 4 [16]–[20]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the instruments used to control inflation.
- Highly appropriate, clear and logical judgement of the instruments used to control inflation, based on well focused and sound analysis.
- Thorough use of relevant source material of the implications of the instruments used to control inflation.
- An excellent quality of written communication.

**Level 3 [11]–[15]**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the instruments used to control inflation.
- An appropriate, clear and logical judgement of the implications of the instruments used to control inflation, based on well focused analysis.
- Good use of relevant source material to the implications of the instruments used to control inflation.
- A good quality of written communication.

**Level 2 [6]–[10]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the implications of the instruments used to control inflation.
- Satisfactory use of relevant source material to the implications of the instruments to control inflation.

- A suitable, appropriate judgement of the implications of the instruments used to control inflation, 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 instruments used to control inflation.
- Basic or no judgement based on limited analysis of the instruments used to control inflation.
- Limited use of relevant source material of the instruments used to control inflation.
- A basic quality of written communication.

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

[20]

20

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MARKS**

5 Evaluate ethics as a source of competitive advantage to TF Ltd.

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MARKS

- Easier to acquire external finance, e.g. a Green Loan or Government Grant.
- To source wood from sustainable forest sources – the impact on the corporate image is that it encourages an ethos of sustainability, and it gives TF Ltd. a competitive advantage.
- Might attract skilled, motivated workers.
- To make UK and Ireland homes more energy efficient – the impact on TF Ltd. is one that cares for the environment and society. Trying to save homeowners money.
- Using wood as a building material takes less energy and greenhouse gases – the impact of the competitive advantage is one which encourages all stakeholders to care for the environment. This can improve their overall brand.
- The impact on the competitive advantage is one in which the company saves running costs for consumers. The culture with TF Ltd. is not just about profit but also social aims.
- Profits can be increased.
- Some stakeholders of TF Ltd. might not pay attention to the ethical stance and therefore the edge is lost.
- Ethics is a hard sell to some stakeholders – how much do customers value ethics? Some stakeholders don't care about ethics.
- Ethics compliance processes are costly.

**Marking:**

**Level 4 [16]–[20]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of ethics as a source of competitive advantage to TF Ltd.
- Highly appropriate, clear and logical judgement of ethics as a source of competitive advantage to TF Ltd., based on well focused and sound analysis.
- Thorough use of relevant source material of ethics as a source of competitive advantage to TF Ltd.
- An excellent quality of written communication.

**Level 3 [11]–[15]**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of ethics as a source of competitive advantage to TF Ltd.
- An appropriate, clear and logical judgement of ethics as a source of competitive advantage to TF Ltd., based on well focused analysis.
- Good use of relevant source material of ethics as a source of competitive advantage to TF Ltd.
- A good quality of written communication.

**Level 2 [6]–[10]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of ethics as a source of competitive advantage to TF Ltd.
- Satisfactory use of relevant source material of ethics as a source of competitive advantage to TF Ltd.
- A suitable, appropriate judgement of ethics as a source of competitive advantage to TF Ltd., 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 ethics as a source of competitive advantage to TF Ltd.
- Basic or no judgement based on limited analysis of ethics as a source of competitive advantage to TF Ltd.
- Limited use of relevant source material the issues of ethics as a source of competitive advantage to TF Ltd.
- A basic quality of written communication.

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

[20]

**AVAILABLE  
MARKS**

20

**6** Evaluate TF Ltd.'s merger with Eco Homes Ltd. as a method of increasing market share.

TF Ltd. merged with Eco Homes Ltd. because this can be classified as a horizontal merger. Same type of businesses merging in the same type of production – secondary.

- It increased market share for TF Ltd. because they will have access to a much larger market – EU sales.
- There are economies of scale for TF Ltd. – such as buying wood, insulation, windows, roof slates etc. in bulk.
- There are cost savings from business activities, such as advertisement and promotions will be throughout all of Ireland. This saves on costs.
- It reduces competition – Eco Homes Ltd. is a close competitor. Merging will eliminate them as a competitor for TF Ltd.
- The merger with Eco Homes Ltd. could have been expensive for TF Ltd. Prices might rise.
- Diseconomies of scale – it will be more difficult to coordinate, communicate and to control a larger company. Different locations and different countries will be difficult to monitor.
- The synergies and added value expected may not come to fruition when the two businesses merge. Conflict over culture.
- CMA may investigate the merger – if they are too powerful it may not be allowed in full.
- Existing customers may go elsewhere – loss of customers. Job losses – skills and knowledge will be lost. [20]

**Marking:**

**Level 4 [16]–[20]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of a merger with Eco Homes Ltd. as a method of increasing market share.
- Highly appropriate, clear and logical judgement of a merger with Eco Homes Ltd. as a method of increasing market share.
- Thorough use of relevant source material of a merger with Eco Homes Ltd. as a method of increasing market share.
- An excellent quality of written communication.

**Level 3 [11]–[15]**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of a merger with Eco Homes Ltd. as a method of increasing market share.
- An appropriate, clear and logical judgement of a merger with Eco Homes Ltd. as a method of increasing market share.
- Good use of relevant source material to the impact of a merger with Eco Homes Ltd. as a method of increasing market share.
- A good quality of written communication.

**Level 2 [6]–[10]**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of a merger with Eco Homes Ltd. as a method of increasing market share.
- Satisfactory use of relevant source material.

- A suitable, appropriate judgement of the impact for TF Ltd.
- A satisfactory quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of a merger with Eco Homes Ltd. as a method of increasing market share.
- Basic or no judgement based on limited analysis of a merger with Eco Homes Ltd. as a method of increasing market share.
- Limited use of relevant source material of a merger with Eco Homes Ltd. as a method of increasing market share.
- A basic quality of written communication.

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

[20]

20

**Total**

**90**

**AVAILABLE  
MARKS**