

INTERNATIONAL A-LEVEL **BUSINESS**

BU04

Unit 4 Business Decision Making

Mark scheme

January 2025

Version: 1.0 Final



2 5 1 X B U 0 4 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students 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 on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should summarise your judgement briefly at the end of each response. This will help you decide on the overall level and is helpful for others to understand the mark given. Ensure the comments fit with the level awarded and the language of the level descriptors used in the mark scheme. Next to your comment put the level awarded, eg L4. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
1		A footwear brand has been very successful selling its products online. The owner has decided to open a retail store to increase profits. Assess the arguments for and against this decision and make a judgement.	12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	An excellent response that focuses fully on the demands of the question Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

3	7 – 9	A good response that focuses on many of the demands of the question Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.
2	4 – 6	A reasonable response which focuses on some of the demands of the question Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to assess the arguments for and against the decision in the given context,
- and make a judgement on whether this was a good idea.

Indicative content

Arguments for

- A retail store offers customers a more personalised experience, customers can try on shoes for fit and comfort. This can result in less returns as the customer knows the shoe fits them. Returns can increase costs for the retailer if it offers them free and can reduce profit.
- A retail store can offer more effective customer service as retail assistants meet customers face-to-face, can read body language and are trained in asking the right questions which can lead to more sales, for example selling accessories/shoe polish, etc. This can increase sales and profits for the retailer.
- Customers can purchase the footwear and take it home the same day and, therefore, could be more convenient for customers who need the shoes quickly. The customer also does not have to factor in shipping costs. The retailer might lose out on sales online if delivery is not quick enough for the customer.
- A physical retail store can increase brand awareness as customers see the store when going shopping, this can increase sales for the retailer, in return increasing profit.

Arguments against

- A physical store increases overheads for the retailer as it will need to pay more in rent, utility rates etc. This could decrease profit.
- More staff will be needed to run the retail store, this will increase costs and decrease profit.
- Legally, the store can only open a certain number of hours in the week which means sales maximisation is limited to the opening hours.
- Start-up costs to open a store will need to be factored in, in the short term these costs will impact on the profit gained.

Potential judgement

- This all depends on how many sales the store will make against the cost of opening and running the store. This could be hard to determine as customers might try on shoes in store and buy online so it is hard to track the impact of the physical store on sales. If the store manages to break even it could be a good idea to open it to increase brand awareness, increase sales and, hopefully, profit.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
2		The Chief Executive of a games console producer wants to increase market share. She has decided to invest in more innovation to increase market share. Is this the right decision? Assess the arguments for and against and make a judgement.	12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

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	0	No credit worthy material.

The demands of the question are:

- to assess the arguments for and against investing in more innovation to increase market share,
- and make a judgement on whether this will increase market share in the given context.

Indicative content

Arguments for

- The gaming industry is highly competitive, the business must keep up with competitors to attract new customers or keep existing customers buying from them. Encouraging innovation can encourage new ideas which can create a unique selling point attracting new sales and increasing market share.
- Innovation can find better ways of doing things, resulting in more efficient processes reducing costs which could allow the business to price competitively increasing sales and market share.
- Innovation can improve staff morale and motivation which can help to retain staff and increase productivity. Intellectual property is important in the gaming industry therefore retaining staff is important to keeping the business competitive.

Arguments against

- A games console is an expensive product, customers can be highly loyal to the brand and might not be persuaded to move brands despite an increase in innovation.
- Innovation can be expensive as some ideas can fail, the increase in costs on the developer might lead to an increase in the retail price of the console which could result in a fall in market share.
- New technology or ideas resulting from increased innovation might enter the market and fail resulting in damage to the brand name and a decline in market share.
- Investing in research and development to support innovation can take time, whilst this developer is innovating, competition might be using other strategies ie reducing prices which could further decrease the market share for this developer.

Potential judgement

- Investing in more innovation can result in new ideas, improved quality an increase in staff morale and improved productivity, all of which could help the developer to improve sales. However, it all depends on what its competitor is doing and the time and money spent on innovation which will result in an increase in market share. If the timings or ideas aren't right, it could actually decrease its market share.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
3		A restaurant which is operating in a niche market has an objective to expand. It is experiencing an increase in costs due to inflation. Should it increase its prices? Assess the arguments for and against increasing prices and make a judgement.	12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

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	0	No credit worthy material.

The demands of the question are:

- to assess the arguments for and against increasing prices in the given context,
- and make a judgement on whether this is the right decision for this business.

Indicative content

Arguments for

- The restaurant is operating in a niche market which indicates it has little competition, this could mean customers are loyal to the restaurant and may not be price sensitive and price inelastic, meaning profit should increase allowing the restaurant to re-invest profits to expand the restaurant.
- As inflation is rising so should wages therefore customers might be expecting to pay more.
- Charging higher prices in line with inflation can ensure the restaurant is positioning itself correctly in the market, resulting in customers being prepared to pay higher prices for a higher quality product and allowing the restaurant to expand.
- Competition will be experiencing the same increase in costs, if they increase prices so should this restaurant.

Arguments against

- An increase in price could result in customers turning to competitors that are less expensive resulting in a decrease in sales which might mean the restaurant may need to delay its expansion plans.
- The alternative to increasing prices is absorbing cost increasing and reducing profit margins, this could attract more customers to the restaurant as competitors might increase prices.

Potential judgement

- As the restaurant is operating in a niche market and has an objective to expand, increasing prices to reflect inflation could be successful as customers are less likely to be price sensitive. However, if wages do not rise in line with inflation, customers might be less inclined to pay higher prices and resort to substitutes such as lower priced restaurants or takeaways. The restaurant should review all market factors and observe what its competition is doing before making a decision.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Section B

Total for this section: 44 marks

Question	Part	Marking guidance	Total marks
4		Calculate the increase in Saka plc's gearing if it decides to expand its hotel chain into Europe. Increase is 41.25% (4) Correct calculation but error in answer (3) $(192/230) \times 100 = 60\%$ (2) Gearing = (non current liabilities/capital employed) $\times$ 100 (if only formula given then award 1 mark) OFR applies	4 AO1 = 2 AO2 = 2

Question	Part	Marking guidance	Total marks
5		The unemployment rate in Europe is forecast to increase over the next 3 years. Explain one impact this might have on Saka plc. Indicative content • There will be more workers looking for jobs, therefore Saka plc should be able to recruit staff quickly and easily to fill any vacancies they have. • There is forecast to be more people in the labour market looking for work, as there will be more people Saka might be able to offer lower wages to keep costs low. • An increase in unemployment in Europe might mean that European tourists have less disposable income and might not spend their income on luxury hotels which could impact on Saka plc's sales. Credit valid alternative content. Good response (4 marks) Explains the impact of the forecast increase in unemployment in the context of Saka plc. Reasonable response (3-2 marks) Explains the impact of unemployment on a business but does not relate this to Saka plc. Limited response (1 mark) Shows some understanding of the impact of an increase in unemployment.	4 AO1 = 2 AO2 = 2

Question	Part	Marking guidance	Total marks
6		Calculate Saka plc's forecast dividend yield without expansion. Dividend paid per share/average share price × 100 Dividend per share = 2 000 000/500 000 = 4 (1) 4/32 × 100 = 12.5% (2) If dividend yield is calculated with expansion ie 40% award 1 mark. If does not convert to % ie 0.125 award 1 mark OFR applies	2 AO1 = 1 AO2 = 1

Question	Part	Marking guidance	Total marks
7		The directors of Saka plc are thinking about expanding its hotel chain into Europe. Explain which growth strategy from Ansoff's matrix Saka plc is proposing to use. Indicative content Saka is proposing to enter into Europe and replicate its hotels. The strategy it would be using is market development as Europe would be a new market for them to target and it would be using the same product. Credit valid alternative content. Good response (4 marks) Identifies the correct strategy from Ansoff's matrix (market development) and explains how Saka would be using this strategy. Reasonable response (3-2 marks) Explains what market development is but doesn't relate this to Saka plc. Limited response (1 mark) Identifies relevant points/shows knowledge of Ansoff's matrix but does not offer an explanation or application to Saka plc.	4 AO1 = 2 AO2 = 2

Question	Part	Marking guidance	Total marks
8.1		Analyse the potential benefits for Saka plc of expanding its hotel chain into Europe.	9 AO1 = 2 AO2 = 2 AO3 = 5

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question - Includes well-focused analysis with logical chains of reasoning. - Includes well-focused application to the given context. - Shows sound knowledge and understanding of business terminology and concepts with few, if any, errors. - Is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question - Includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places. - Includes reasonable application to the given context. - Focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: - include some limited analysis but lacks focus and development - include some limited application to the given context - include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the benefits of the expansion,
- to Saka plc.

Indicative content

- Visitors to Europe spend 10% more on their accommodation than visitors to Asia, this means there is an opportunity to increase prices in Europe which in turn will increase revenue.
- Subsidies on land in Europe might make this location more attractive to Saka plc as they can buy land to build on cheaper which will reduce the cost of the investment giving them a higher rate of return on the investment.
- Dividend yield (allow OFR) is forecast to increase from 12.5% to 45.7% which will meet the objective of increasing shareholder value.
- Visitors to Europe are forecast to increase by 22% which means more customers for Saka plc to use its hotels and increase revenue.
- Operating profit (allow OFR) is forecast to double following the expansion which allows the opportunity to pay dividends to shareholders.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
8.2		Analyse the potential problems for Saka plc of expanding its hotel chain into Europe.	9 AO1 = 2 AO2 = 2 AO3 = 5

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question - Includes well-focused analysis with logical chains of reasoning. - Includes well-focused application to the given context. - Shows sound knowledge and understanding of business terminology and concepts with few, if any, errors. - Is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question - Includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places. - Includes reasonable application to the given context. - Focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
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	0	No credit worthy material.

The demands of the question are:

- to analyse the potential problems of the expansion,
- for Saka plc.

Indicative content

- Currently European visitors prefer a competitor over Saka plc. American and Asian tourists prefer Saka plc, this could suggest that the brand might not be attractive to European tastes. This could impact on the amount of sales it makes in Europe.
- Saka plc will need to borrow money for the investment, previous investment was mostly funded by shareholders. This means its gearing (allow OFR) is forecast to increase by just over 40% from 18.75% to 60%. This is risky and if interest rates rise, costs will increase.
- The return on capital employed (allow OFR) of this investment will remain the same, will shareholders be happy with this?

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
8.3		With reference to your analysis, recommend whether Saka plc should expand its hotel chain into Europe. You should justify your recommendation.	12 AO2 = 2 AO3 = 4 AO4 = 6

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	An excellent response that focuses fully on the demands of the question Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

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	0	No credit worthy material.

The demands of the question are:

- to evaluate whether Saka plc should expand into Europe,
- and to provide a justified recommendation.

Indicative content

- The forecast financial information predicts the investment would meet Saka plc's objective which is to increase shareholder value.
- However, the financial information is only a forecast and could be incorrect.
- The money to invest needs to be borrowed which significantly increases gearing (allow OFR) and makes it vulnerable to an increase in interest rates.
- The return on capital employed (allow OFR) remains the same suggesting the business could stay as it is and still have the same return on investment without the risk.
- The marketing data looks favourable in Europe, ie forecast growth and expenditure but this will only be beneficial if the hotels are attractive to these tourists and the data does not say where these tourists are coming from so Saka plc cannot be sure it will work.
- Operating profit, dividends and share prices might increase without any investment at all. We do not have this information so it is difficult to make a decision.
- Overall, the data suggests that Saka plc should expand into Europe.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	2	2	2	6	12
2	2	2	2	6	12
3	2	2	2	6	12
Section B					
4	2	2			4
5	2	2			4
6	1	1			2
7	2	2			4
8	2	2	5		9
9	2	2	5		9
10		2	4	6	12
Unit Total	17	19	20	24	80