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AS

# Business Studies

7131/2 Paper 2  
Mark scheme

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7131  
June 2016

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Version 1.0: Final Mark Scheme

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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 Assessment Writer.

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.

Further copies of this mark scheme are available from [aqa.org.uk](http://aqa.org.uk).

## **Level of response marking instructions**

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

### **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 descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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 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, ie if the response is predominantly 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. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which 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 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.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

**The standard marking grid for a 9 mark question:****Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

<b>Level</b>	<b>The candidate will typically demonstrate:</b>	<b>Marks</b>
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The standard marking grid for a 16 mark question:****Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6**

<b>Level</b>	<b>The candidate will typically demonstrate:</b>	<b>Marks</b>
<b>4</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</li> </ul>	<b>13–16</b>
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed and is applied effectively to the context.</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>9–12</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context.</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>5–8</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context.</li> <li>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>1–4</b>

**The standard marking grid for the 20 mark question:****Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8**

<b>Level</b>	<b>The candidate will typically demonstrate:</b>	<b>Marks</b>
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</li> </ul>	<b>17–20</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed and is applied effectively to the context.</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>13–16</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context.</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>9–12</b>
<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context.</li> <li>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>5–8</b>
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates isolated or imprecise knowledge and understanding.</li> <li>demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question.</li> <li>makes judgements or proposes solutions based on assertions.</li> </ul>	<b>1–4</b>

<b>0</b>	<b>1</b>	<p><i>A potential supplier is hoping to win a contract to make Moshi Monsters' branded key rings. Information on this possible contract is provided in Figure 3. How many key rings will the supplier need to sell each month to Mind Candy Ltd to break-even?</i></p>	<b>[3 marks]</b>
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$$\begin{aligned}
 \text{BE} &= \frac{\text{FC}}{(\text{SP}-\text{VC}_{\text{pu}})} = \mathbf{1 \text{ mark}} \\
 &= \frac{\pounds 12,800}{(\pounds 0.5-\pounds 0.30)} = 64,000 \text{ units}
 \end{aligned}$$

$$\text{OR} \quad \text{BE} = \frac{\text{FC}}{\text{Contribution p.u.}} = \mathbf{1 \text{ mark}}$$

- 3 marks** for correct answer. (64,000)
- 2 marks** correctly calculating answer with wrong units (e.g. £64,000 )
- 2 marks** correctly selects figures but an arithmetical error (e.g. 640)
- 1 mark** if contribution per unit (£0.20) is correctly calculated but no other valid calculations

<b>0</b>	<b>2</b>	<p><i>Using the information provided in Figure 2, calculate Mind Candy Ltd's operating profit margin in 2012.</i></p>	<b>[3 marks]</b>
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$$\begin{aligned}
 \text{Margin} &= \frac{\text{Operating profit}}{\text{revenue}} \times 100 = \mathbf{1 \text{ mark}} \\
 &= \frac{8.1}{46.9} \times 100 = 17.27\% \quad (\text{accept } 17.3\%; 17.2\% \text{ or } 17\%)
 \end{aligned}$$

- 3 marks** for correct answer (including % sign).
- 2 marks** for correct number but no % or wrong units
- 2 marks** for correctly selected figures **plus** correct formula but wrongly used
- 2 marks** if wrong year calculated – 2011 = 25.6%; 2013 = -7.2%

<b>0</b>	<b>3</b>	<i>Explain one reason why the views of SPARK Ventures are likely to be important when Mind Candy Ltd makes major decisions.</i>	<b>[4 marks]</b>
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**Marks for this question: AO1 = 2, AO2 = 2**

<b>Level</b>	<b>The candidate will typically demonstrate:</b>	<b>Marks</b>
<b>3</b>	Provide a response that is well explained using knowledge and understanding and is applied to the context.	<b>4</b>
<b>2</b>	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	<b>2–3</b>
<b>1</b>	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	<b>1</b>

**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues such as stakeholders; investors; decision making or stakeholder mapping (AO1)
- be applied to the context of Mind Candy and / or point of view of SPARK Ventures (AO2)

**Possible answers may include the following:**

- SPARK Ventures are a major financial backer – having provided venture capital to Michael Acton Smith when founding Mind Candy and again when trying to expand the business. As a result they are a major shareholder in the business. In addition, their financial backing will be crucial at a time that the business is in a period of transition.
- answer may be based on stakeholder mapping and / or interest level of stakeholder

**NB** This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

<b>0</b>	<b>4</b>	<i>Analyse why Mind Candy Ltd outsources production of Moshi Monsters' merchandise such as trading cards and cuddly toys.</i>	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

	<b>Holistic view</b>	<b>Guidance</b>	<b>Mark</b>
L3	<p><b>Good</b> Offers good arguments giving reasons why Mind Candy Ltd outsources its merchandising</p>	<p><b>Top:</b> Two or more good arguments applied effectively to Mind Candy Ltd's circumstances.</p> <p><b>Bottom:</b> Two or more good arguments explaining why Mind Candy decided to outsource production.</p>	<p>9</p> <p>8-7</p>
L2	<p><b>Reasonable</b> Offers arguments that provide some depth and/or range</p>	<p><b>Top:</b> One reasonable argument and one good argument.</p> <p><b>Mid:</b> Two reasonable arguments or one good argument.</p> <p><b>Bottom:</b> One reasonable argument.</p>	<p>6</p> <p>5</p> <p>4</p>
L1	<p><b>Limited</b> Offers undeveloped arguments relating to outsourcing</p>	<p><b>Top:</b> Relevant points are made with some attempt to develop arguments.</p> <p><b>Mid:</b> Good knowledge demonstrated or some attempt to develop an argument.</p> <p><b>Bottom:</b> Limited knowledge demonstrated or relevant points are made but lacks arguments.</p>	<p>3</p> <p>2</p> <p>1</p>

**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues (AO1)
- be applied to the context of Mind Candy (AO2)
- analyse the possible impact of outsourcing or alternatives on Mind Candy Ltd (AO3).

**Possible answers may include the following:**

- avoids the need for Mind Candy to invest in production machinery
- Mind Candy does not have to invest capital which seems to be in short supply
- the firm wants to stick to what it does best – it is not a manufacturer
- outsourcing may remain a far cheaper method of producing merchandise as Mind Candy may not need to produce the volumes necessary to experience the economies of scale necessary to drive costs down for manufacturers of merchandise

**NB** This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

<b>0</b>	<b>5</b>	<i>Explain why venture capitalists such as SPARK Ventures may have been willing to provide finance to Michael Acton Smith for the growth of Mind Candy Ltd in 2007.</i>	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

	<b>Holistic view</b>	<b>Guidance</b>	<b>mark</b>
L3	<p><b>Good</b></p> <p>offers good arguments analysing why venture capitalists may have been willing to provide finance for the growth of Mind Candy</p>	<p><b>top:</b> two or more good arguments with clear and consistent focus on the benefits to investors of putting money into this company</p>	<b>9</b>
		<p><b>mid / bottom:</b> two or more good arguments relating venture capitalists willingness to provide finance to Mind Candy Ltd’s circumstances.</p>	<b>7 - 8</b>
L2	<p><b>Reasonable</b></p> <p>offers arguments that provide some depth and / or range</p>	<p><b>top:</b> one reasonable argument and one good argument</p>	<b>6</b>
		<p><b>mid:</b> two reasonable arguments or one good argument</p>	<b>5</b>
		<p><b>bottom:</b> one reasonable argument</p>	<b>4</b>
L1	<p><b>Limited</b></p> <p>offers undeveloped arguments relating to marketing decisions</p>	<p><b>top:</b> relevant points are made and some attempt to develop arguments</p>	<b>3</b>
		<p><b>mid:</b> good knowledge demonstrated or some attempt to develop an argument</p>	<b>2</b>
		<p><b>bottom:</b> limited knowledge demonstrated or relevant points are made but lacks arguments</p>	<b>1</b>

**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues considered by investors (AO1)
- be applied to the context of Mind Candy (AO2)
- analyse the possible reasons for investors to invest at either start-up or growth stages of Mind Candy Ltd (AO3).

**Possible answers may include:**

- Michael Acton Smith had a track record of success with his previous business, meaning he has expertise and understanding of online business reducing the risk to investors
- rapid early success of Perplex City offers further evidence of past successes and may suggest higher future profits.

- SPARK ventures and other investors may have provided extra funding because they believed Michael Acton Smith had great ideas which would prove profitable
- Existing venture capitalists may wish to increase their existing investments in the hope of generating larger future returns.
- Limited liability will be attractive to investors who are willing to invest in relatively high risk enterprises – online games/apps businesses could be considered as such

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context and explores the reasons for the investment decision. For example, a line of argument could clearly demonstrate how an aspect of Mind Candy's trading history – or its expected future performance - might reduce the risk of failure and/or generate higher returns and thus contribute to venture capitalists taking the decision to provide finance.

Reasonable arguments might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might be one that offers a theoretical argument explaining why a venture capitalists might provide finance to fund a business's growth or incomplete argument such as saying that Michael Acton Smith's entrepreneurial experience will help to persuade venture capitalists to invest – but without explaining why in terms of its impact on profits/risk.

<b>0 6</b>	<i>Mind Candy Ltd remains a private limited company despite some pressure to become a public limited company. Do you believe the business should continue to be a private limited company? Justify your answer.</i>	<b>[16 marks]</b>
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**Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6**

	<b>holistic view</b>	<b>guidance</b>	<b>mark</b>
L4	<b>Excellent</b> offers well-selected and well-argued reasons <b>for and against</b> remaining as a private limited company; weighs up the arguments made to reach logical, well supported judgement on whether Mind Candy should remain a private limited company.	<b>top:</b> <ul style="list-style-type: none"> <li>• tight focus on the question throughout</li> <li>• judgement clearly built on competing arguments (for &amp; against remaining a Ltd)</li> <li>• precise understanding of relevant issues</li> <li>• well structured</li> <li>• clearly in context of the question</li> </ul>	<b>15-16</b>
		<b>bottom:</b> <ul style="list-style-type: none"> <li>• builds mainly on competing arguments (for and against remaining a Ltd)</li> <li>• mainly precise understanding of issues</li> <li>• clear attempt to structure the answer</li> <li>• mainly in context of the question</li> </ul>	<b>13-14</b>
L3	<b>Good:</b> offers good arguments <b>for and against</b> Mind Candy remaining a private limited company; some judgement of reasons for type of ownership, but not well focused on whether they should remain a private limited company.	<b>top:</b> <ul style="list-style-type: none"> <li>• Good arguments for and against Mind Candy remaining a private company</li> <li>• Some judgement of question as a whole</li> </ul>	<b>11-12</b>
		<b>bottom:</b> <ul style="list-style-type: none"> <li>• Some good arguments for and against Mind Candy remaining a private company</li> <li>• Limited judgement of the question as a whole</li> </ul>	<b>9-10</b>
L2	<b>Reasonable</b> offers reasonable arguments <b>for and against</b> Mind Candy remaining a private limited company <b>or</b> good argument for <b>or</b> against this; some judgement but not addressing whole question; some focus without support	<b>top:</b> <ul style="list-style-type: none"> <li>• Reasonable arguments on both sides of question <b>or</b> good argument on one side</li> <li>• Attempt to answer question as a whole</li> </ul>	<b>7-8</b>
		<b>bottom:</b> <ul style="list-style-type: none"> <li>• reasonable argument(s) but uneven (e.g. focused very much on one factor)</li> <li>• Limited judgement and no attempt to answer question as a whole</li> </ul>	<b>5-6</b>
L1	<b>Limited</b> offers some undeveloped argument(s) but little judgement; does not answer question as whole; very limited or no focus	<b>top:</b> <ul style="list-style-type: none"> <li>• limited attempt to develop argument(s)</li> <li>• some attempt to link judgement to points</li> </ul>	<b>4- 3</b>
		<b>bottom:</b> <ul style="list-style-type: none"> <li>• undeveloped points / assertions</li> </ul>	<b>2-1</b>

**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues relating to growth (AO1)
- be applied to the context of Mind Candy (AO2)
- analyse the possible reasons why private limited company status may or may not hinder the growth of Mind Candy Ltd (AO3)
- evaluate qualitative and quantitative information to propose evidence based solutions to the problem of what is the best ownership status for Mind Candy Ltd moving forward. For example, it may consider the availability of extra finance through sources other than floatation (AO4).

**Possible lines of argument may include:**

Not remaining a private limited company is better because:

- as an Ltd access to the stock market is denied
- previous phases of growth have required investment totalling several million pounds – funds of this size may be hard to raise as a private limited company
- Major investments are needed in the future

Remaining as a private limited company is better because:

- Current management team may well lose significant control
- Mind Candy has existing links with venture capitalists, who may provide extra funding
- investment in future growth may not be burdensome on capital for an online only business
- More likely to find shareholders willing to postpone dividends when profits are better reinvested/retained
- Helps the company to select shareholders who will continue to support the company's key values
- Should help to preserve existing relationship between current finance providers and management team.

**NB** This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how a decision by Mind Candy's owners to remain a private limited company might allow its owners to select shareholders who are likely to support the company's ethical stance or other key values and thus support its future success.

Reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might fall short of establishing a clear link explaining why a decision by Mind Candy to remain a private limited company offers the stated benefit or such an argument may be well-reasoned but make no use of the context.

## Evaluation

- The need to continue investing in new product development suggests future injections of capital will be needed – thus the capital raised from converting to a public company may be necessary.
- Other issues, such as great new product ideas may be more important than business form; for example, creative ideas need minimal capital investment.
- The range of extra demands from speculative investors (with short-term objectives) may make the job of management even harder at a time when they need to focus on ensuring that new products are developed to ensure future success.
- Would a loss-making business be able to float successfully?

<b>0</b>	<b>7</b>	<p><i>Mind Candy Ltd uses mainly non-financial methods to motivate its employees. With reference to theories of motivation, to what extent are non-financial methods of motivation likely to be more effective than financial methods for Mind Candy Ltd? Justify your answer.</i></p>	<b>[16 marks]</b>
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**Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6**

	<b>Holistic view</b>	<b>Guidance</b>	<b>Mark</b>
L4	<p><b>Excellent</b> Offers well-selected good arguments related to the relative merits of financial <b>and</b> non-financial methods using motivational theory; weighs up the arguments made to reach logical, supported judgement on the issue</p>	<p><b>Top:</b></p> <ul style="list-style-type: none"> <li>• tight focus on question throughout</li> <li>• judgement clearly built on competing arguments (financial v non-financial)</li> <li>• precise understanding of issues</li> <li>• well structured</li> <li>• clearly in context of the question.</li> </ul>	15-16
		<p><b>Bottom:</b></p> <ul style="list-style-type: none"> <li>• judgement builds mainly on competing arguments (financial v non-financial)</li> <li>• mainly precise understanding of issues</li> <li>• clear attempt to structure the answer</li> <li>• mainly in context of the question.</li> </ul>	13-14
L3	<p><b>Good</b> Offers good arguments on factors causing motivation. Some judgement of arguments relating to financial / non-financial motivation but not well focused on their relative effectiveness for this context.</p>	<p><b>Top:</b></p> <ul style="list-style-type: none"> <li>• Good arguments for the use of methods of motivation.</li> <li>• Some judgement of the question as a whole</li> </ul>	11-12
		<p><b>Bottom:</b></p> <ul style="list-style-type: none"> <li>• Some good arguments on the factors leading to motivation</li> <li>• Some judgement of the question as a whole</li> </ul>	9-10
L2	<p><b>Reasonable</b> Offers reasonable arguments <b>or</b> one good argument focused on financial <b>or</b> non-financial; some judgement but not addressing whole question.</p>	<p><b>Top:</b></p> <ul style="list-style-type: none"> <li>• Reasonable arguments or single good argument</li> <li>• Limited attempt at judgement of question as a whole.</li> </ul>	7-8
		<p><b>Bottom:</b></p> <ul style="list-style-type: none"> <li>• Reasonable arguments but uneven (for example, focused very much on one method of motivation)</li> <li>• Limited judgement with no attempt to answer question as a whole</li> </ul>	5-6
L1	<p><b>Limited</b> Offers some undeveloped argument(s) but little judgement and does not answer question as whole</p>	<p><b>Top:</b></p> <ul style="list-style-type: none"> <li>• Limited attempt to develop argument(s)</li> <li>• Some attempt to link judgement to points</li> </ul>	4- 3
		<p><b>Bottom:</b></p> <ul style="list-style-type: none"> <li>• Undeveloped points</li> <li>• Assertions</li> </ul>	2-1

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**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues relating to motivation (AO1)
- be applied to the context of highly creative vs less creative industries (AO2)
- analyse the possible reasons why non-financial or financial methods may be more effective in creative industries such as Mind Candy Ltd. May use motivation theory to develop argument(s)(AO3)
- evaluate qualitative and quantitative information to make an informed judgement on the possible extent to which non-financial methods are more or less effective in creative industries such as Mind Candy Ltd. For example, it may weigh up the effect of financial methods on staff performing creative vs monotonous processes. (AO4).

**Possible lines of argument may include the following:**

Non-financial methods may be important because:

- much motivation theory suggests that extrinsic motivation works well for simple tasks not needing creative thought, but creativity can be dulled by the focus that financial benefits necessitate
- some businesses, such as Mind Candy (NB 2013 operating loss), may be unable to afford financial methods
- Mind Candy's major problem appears to be the need to continually innovate – it can be hard to set meaningful targets for innovation to which financial incentives can be linked.

Financial methods may be important because:

- some financial methods (profit sharing, bonuses based on broad creative indicators of job success) can be used to try to boost creative output – such as generation of new ideas for games
- there is backing from motivational theorists, such as Taylor or Vroom, that if handled correctly, extrinsic motivation can boost performance.

**NB** This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how the use of monetary or non-monetary techniques advocated by a specific theorist could improve the motivation levels of Mind Candy Ltd's workforce. Thus, a candidate might argue that the nature of the work completed by many of the company's employees provides scope for the use of ego/esteem factors as advocated by Maslow.

A reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might be more likely to use motivational theory to construct arguments without use of the context or to develop an incomplete argument not explaining fully

why the chosen method would impact positively on the motivation levels of Mind Candy's employees.

**Evaluation:**

- It may depend on the employee's job role within the business. Mind Candy will still need sales staff, perhaps paid by commission, or some basic programmers whose individual output can be easily measured, as well as creative designers of games.
- The company's ability to use financial methods of motivation may be limited as its financial performance deteriorated sharply in 2013 as it recorded an operating loss
- Much motivation theory suggests that creative work meets needs where financial methods will not help (self-esteem, motivators etc.).

<b>0 8</b>	<i>Mind Candy Ltd has been careful to behave ethically. Should ethics be the biggest influence on decision-making for all businesses? Justify your answer.</i>
	<b>[20 marks]</b>

**Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8**

	<b>Holistic view</b>	<b>Guidance</b>	<b>Mark</b>
L5	<b>Excellent</b> Offers good arguments <b>for and against</b> ethics influencing decision making. Provides logical supported judgements on the extent to which ethics should be an influence on decision making,	<b>Top:</b> <ul style="list-style-type: none"> <li>• Good arguments have focus on question throughout</li> <li>• precise understanding throughout</li> <li>• well structured</li> <li>• judgement clearly built on earlier arguments and focused fully on the question – biggest influence <b>and</b> all businesses.</li> </ul>	19-20
		<b>Bottom:</b> <ul style="list-style-type: none"> <li>• Good arguments mainly focused on the question</li> <li>• understanding is mainly precise</li> <li>• clear attempt to structure the answer</li> <li>• Judgement mainly based on earlier arguments and focused on the question – biggest influence <b>or</b> all businesses</li> </ul>	17-18
L4	<b>Good</b> Offers good arguments <b>for and against</b> importance of ethics. Provides supported judgements on its value in ethics in decision.	<b>Top:</b> <ul style="list-style-type: none"> <li>• Good arguments for and against ethics being an important influence on decision making.</li> <li>• Judgement of the importance of ethics in decision making with support.</li> </ul>	15-16
		<b>Bottom:</b> <ul style="list-style-type: none"> <li>• Some good arguments for and against ethics being an important influence on decision making.</li> <li>• Some judgement of the importance of ethics in decision making with support.</li> </ul>	13-14
L3	<b>Reasonable</b> Offers good argument <b>for or against</b> importance of ethics or more balanced but reasonable arguments. Judgement is not well supported but has some focus.	<b>Top:</b> <ul style="list-style-type: none"> <li>• Two or more reasonable arguments or one good argument</li> <li>• Judgement on importance of ethics in decision making but not well supported</li> </ul>	11-12
		<b>Bottom:</b> <ul style="list-style-type: none"> <li>• Two reasonable arguments</li> <li>• Attempts judgement on importance of ethics in decision making but little support.</li> </ul>	9-10
L2	<b>Limited</b> Offers limited arguments on the importance of ethics. Judgement has very little support or focus.	<b>Top:</b> <ul style="list-style-type: none"> <li>• Limited development of more than one argument</li> <li>• Some attempt to support relevant judgement</li> </ul>	7-8
		<b>Bottom:</b> <ul style="list-style-type: none"> <li>• Limited development of a single argument</li> <li>• Assertion or judgements has no focus on question</li> </ul>	5-6
L1	<b>Weak</b> Offers knowledge of importance of ethics and undeveloped points; judgement is unsupported	<b>Top:</b> <ul style="list-style-type: none"> <li>• Offers descriptive application and undeveloped argument(s)</li> <li>• Unsupported judgement.</li> </ul>	3-4
		<b>Bottom:</b> <ul style="list-style-type: none"> <li>• Knowledge only</li> <li>• Assertions</li> </ul>	1-2

**Examples of how the assessment objectives might be met in this question include:**

- demonstrates knowledge and understanding of relevant issues including ethics (AO1)
- be applied to the context of Mind Candy or other businesses (AO2)
- analyse the possible reasons why ethical behaviour is more or equally important than profit for Mind Candy Ltd or other businesses (AO3)
- evaluate qualitative and quantitative information to make an informed judgement on the possible extent to which ethics should be considered more important than profit. For example, it may seek to suggest that the balance between ethics and profit may need to change for a business such as Mind Candy Ltd.(AO4).

**Possible lines of argument may include the following:**

Ethics should be biggest influence because:

- children may lack the ability to fully understand consumption decisions (whether to make ‘in-app purchases’)
- ‘pester power’ can put undue pressure on parents – especially those who can ill afford to pay
- Unethical behaviour can damage a business’s reputation leading to a loss in revenue
- Many businesses have been profitable partly by being ethical – and serving this customer need / segment – possibly illustrated by examples (for application)

Ethics should not be biggest influence because:

- Mind Candy Ltd needs to focus on generating sufficient profits if it is to be able to fund investment in developing new products.
- All limited companies have shareholders to satisfy – by generating profits and paying dividends
- Conflicting social responsibilities (preserving jobs vs environmental concerns) may make completely ethical behaviour impossible
- Firms accused of exploiting workers in less economically developed countries can point to offering employment where there is little else to be had

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how influences such as a business’s ethical stance or its desire to maximise short-term profits might shape its decision making and enable it to meet its overall objectives. This argument could relate to Mind Candy or other businesses/industries.

A reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context (not using businesses or industries as examples) or not being linked to decision making. For example, a reasonable argument might explain the importance of ethical behaviour to a business where ethics might be important (for example, a retailer such as Bodyshop) without relating it to decision making.

**Evaluation:**

- Some companies can have a very high public profile (especially if they supply final consumers) and have developed a reputation for ethical behaviour and thus ethics will be the biggest influence on decision making – to be seen to do otherwise could be very damaging to the business.
- Some companies face pressures for short-term returns from shareholders meaning that not all businesses have ethics as the biggest influence on decision-making as profits are likely to be the key influence.
- Firms such as Mind Candy may have children consuming their products but parents purchasing for their children – parents should be able to say no to their children
- If parents are unhappy with Mind Candy's ethics, they may not buy and profits will therefore suffer – the two influences may go hand in hand thus meaning ethics is not the biggest influence.

**Assessment Objectives**

	AO1	AO2	AO3	AO4	TOTAL
1	1	2			3
2	1	2			3
3	2	2			4
4	3	3	3		9
5	3	3	3		9
6	4	2	4	6	16
7	4	2	4	6	16
8	4	3	5	8	20
Paper Total	22	19	19	20	80