

# AQA A Level Business

## Unit Assessment

This Unit Assessment covers:

### 3.7 Analysing the strategic position of a business

1 hour

➔ maximum mark for this unit  
assessment is 50

Name

Centre Name

# AQA A Level Business Unit Assessment

## Section A

ANSWER ALL QUESTIONS IN THIS SECTION

- 1** Which of the following is not one of Porter's five forces?
- A Buyer power
  - B Supplier power
  - C Rivalry
  - D Differentiation
- (1 mark)
- 2** Which ratio is an example of an efficiency ratio?
- A Return on capital employed
  - B Payables days
  - C Current ratio
  - D Gearing
- (1 mark)
- 3** A fall in the value of the pound would have which of the following effects?
- A Increased costs of imports into the UK and increased price of exports from the UK
  - B Increased costs of imports into the UK and reduced price of exports from the UK
  - C Reduced costs of imports into the UK and reduced price of exports from the UK
  - D Reduced costs of imports into the UK and increased price of exports from the UK
- (1 mark)
- 4** Which of the following is not an element of Carroll's Corporate Social Responsibility pyramid?
- A Economic/Financial responsibilities
  - B Legal responsibilities
  - C Political responsibilities
  - D Ethical responsibilities
- (1 mark)

## Section C

ANSWER ALL QUESTIONS IN THIS SECTION

Coffee shops such as Starbucks, Costa Coffee and Café Nero have boomed over recent years. They benefited particularly from the economic growth in the UK up to 2008, making large profits from a product that has income elastic demand. The success in this market sector has led to a large increase in the use of takeaway coffee cups, which are largely discarded by coffee drinkers after being used only once.

In fact, scientists have confirmed that almost none of the 2.5 billion cups thrown away annually are recycled and are instead, sent to landfill where they will sit for decades. This situation has arisen because the technology that is currently used in most recycling centres cannot remove the plastic lining which makes each cup watertight. Most coffee shop customers are unaware however, of the environmental impact of their coffee drinking habits.

In light of these findings, coffee shops have had their environmental credentials questioned. In response, some coffee shops have started incentivising reusable cups. Starbucks offer a 50p discount to customers who bring their own cups. Costa, who is striving to reduce its impact on the environment and be more socially responsible, has recently announced the removal of the recycling logo from all its paper cups, as it is causing confusion amongst consumers who assume that a logo means that they can be widely recycled. Instead, it is trialling in-store recycling in some of its stores (cups will be sent to specialised recycling centres) as it seeks to lead the industry in the fight against coffee cup waste.

An alternative way, that some people have argued would be effective in tackling this problem, would be to impose a tax on the use of such disposable cups in a similar way to the tax imposed on plastic bags.

Takeaway cups however, remain an integral part of each firm's marketing mix. The packaging is an integral part of the product design. This is important in making the drink convenient, as well as being central to the brand image of each coffee shop.

- 9 Analyse how a period of economic growth might lead to an increase in the sales of takeaway coffee

(9 marks)

SAMPLE

Extra Space

# AQA A Level Business

## Unit Assessment

This Unit Assessment covers:

### 3.7 Analysing the strategic position of a business

- 7 Explain one way in which a UK based luxury furniture retailer, could be affected by the Monetary Policy Committee's decision to increase interest rates

(6 marks)

Marks for this question: AO1=2, AO2 = 2, AO3 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context	5-6 marks
2	Provide a reasonable explanation using knowledge and understanding with some application to the context	3-4 marks
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	1-2 marks

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

- ➔ demonstrate knowledge and understanding of business terminology such as interest rates (AO1)
- ➔ be applied to the context of a UK based luxury furniture retailer (AO2)

#### Possible responses:

Interest rates are the cost of borrowing money and the reward for saving money

- ➔ An increase in interest rates could lead to a reduction in consumer disposable income, for example, if they have mortgages or loans that are on a variable rate
- ➔ Less disposable income could lead to a fall in demand for luxury products, leading to a fall in sales of luxury furniture
- ➔ Luxury furniture is more expensive than mass produced furniture, therefore it is often bought on finance; an increase in interest rates will make the cost of borrowing more expensive, which again can reduce demand
- ➔ If interest rates have increased consumers looking to purchase furniture may choose to shop more at stores such as DFS which are mass market furniture retailers; these stores offer cheaper prices and a large product range reducing the demand for luxury furniture
- ➔ A rise in interest rates could encourage consumers to save rather than spend; consumers may not want to spend large amounts on luxury furniture when the cost of borrowing is higher and they can receive larger amounts of interest through saving
- ➔ A rise in interest rates may result in the public choosing to remain in their own homes rather than moving properties; this may result in consumers spending more on DIY and home improvement rather than upgrading to a larger property; as a substitute for moving, consumers may choose to purchase luxury furniture

- ➔ Sainsbury's will be able to benefit from purchasing economies of scale. Expanding into emerging economies will require them to buy more food and other products, therefore it may be able to negotiate a discount, reducing unit costs leading to an increase in profits
- ➔ Sainsbury's is looking to expand into emerging economies via utilising e-commerce; this is a relatively low risk and cost-effective method as it won't incur the cost of physical stores and other associated costs, reducing the cost of the expansion
- ➔ Consumers in some emerging economies aspire to purchase Western brands; this may result in higher sales for Sainsbury's products

## Section C

- 9** Analyse how a period of economic growth might lead to an increase in the sales of takeaway coffee

(9 marks)

Marks for this question: A01 = 2, A02 = 2 and A03 = 4

Level	The candidate will typically:	Marks
<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 breadth 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 marks</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 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 marks</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 marks</b>

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

- ➔ demonstrate knowledge and understanding of relevant issues such as economic growth (AO1)
- ➔ be applied to the context of coffee shops and the takeaway coffee market (AO2)
- ➔ analyse how a period of economic growth might lead to an increase in takeaway coffee sales (AO3)

### Possible responses:

Economic growth is an increase in GDP (gross domestic product)

- ➔ An increase in economic growth/GDP will lead to an increase in employment levels resulting in a general rise in income levels; it will also lead to increased job security, giving people increased confidence to spend on non-essential goods
- ➔ Takeaway coffee is deemed to be income elastic, consequently, sales of takeaway coffee should increase as economic growth increases
- ➔ Takeaway coffee is relatively expensive and for some people, seen as a luxury. As a result, an increase in job security will therefore see an increase in the sales of luxury products, such as takeaway coffee, as opposed to drinking instant coffee which may be seen as an inferior good
- ➔ A period of economic growth could lead to an increase in new entrants into the coffee shop market, leading to increased choice and increased sales; multiple businesses such as M&S may decide to expand their coffee shop offer; M&S has recently made the decision to open more coffee stores, which tend to offer a café too, again increasing sales
- ➔ Existing standalone coffee shops such as Costa may have more confidence to expand into areas where they do not have a presence, leading to an increase in the sales of takeaway coffee
- ➔ During a period of economic growth, consumers may have less free time due to work commitments, this may act as an incentive to purchase a takeaway coffee, particularly as this practice is very “on trend”, especially from recognisable brands such as Starbucks

- 10** Costa is striving to reduce the impact they have on the environment and become more socially responsible. To what extent do you agree that being more socially responsible should be the main corporate objective for businesses?

(16 marks)

Marks for this question = 2, AO2 = 3, AO3 = 4 and AO4 = 7

Level	The candidate will typically:	Marks
<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 on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	<b>13-16 marks</b>



- ➡ Businesses that are seen to be more socially responsible can experience an increase in sales; research often shows that customers are more likely to buy from businesses which are more socially responsible. Making social responsibility the main corporate objective could therefore give Costa a major competitive advantage in the coffee shop market, leading to a better reputation and increased sales revenue
- ➡ Being more socially responsible can lead to a reduction in costs, for example, recycling can cut a business's waste disposal. In the case of Costa, in-store recycling can reduce the cost of takeaway coffee cups
- ➡ Increased social responsibility can make it easier for businesses to attract employees as well as reducing labour turnover as quite often, employees want to be associated with a business that is seen to be socially responsible. This can also lead to a reduction in costs

Social responsibility should not be the main corporate objective:

- ➡ For many businesses, profit maximisation is often seen as the most important objective, especially for public limited companies whose shareholders may demand a high dividend
- ➡ Being socially responsible can lead to increased costs for businesses. Smaller businesses may struggle to meet these costs whereas for larger businesses, it could reduce their competitive advantage, especially if they operate in international markets where social responsibility is not as important
- ➡ Archie Carroll argued that businesses have economic responsibilities and a responsibility to be profitable, which underpins the other responsibilities of businesses. If these responsibilities are not met then a business may not be able to meet its social responsibilities

#### Overall:

- ➡ Businesses will have several different objectives for example, profit maximisation, growth, social responsibility
- ➡ For some businesses, being socially responsible may be their main objective, whereas for other businesses, being socially responsible will simply be an objective
- ➡ Being more socially responsible can lead to increased profits for businesses. In the case of Costa, it is looking to lead the industry when it comes to reducing coffee cup waste, which can give Costa a USP as well as reducing its costs. Increasingly important in such a high growth and competitive market
- ➡ Being socially responsible can then complement the other objectives a business may have, for example, by being more socially responsible, the business can maximise profits
- ➡ Depends on the type of business, for start-up businesses, survival, breaking even or making a profit will perhaps be their main objectives
- ➡ Depends on both internal and external factors, such as the importance senior leaders place on social responsibility