



Edexcel A-level Business exam practice answers

How your exams are marked

Questions worth 1 or 2 marks test your knowledge. Aspects of definitions will earn a mark each. These answers show these as a [1] for each aspect that would earn a mark.

Questions worth 3 to 12 marks which contain the command word 'analyse' or 'explain why' will earn marks for each of three skills: Knowledge, Application of knowledge, and Analysis of the question. These answers indicate how these skills can be shown for each question.

Questions worth 10 or more marks expecting a judgement (e.g. command words will include evaluate, to what extent, discuss, or may simply ask you to recommend a course of action) test four skills: Knowledge, Application, Analysis and Evaluation (your ability to make a supported judgement). These are marked using a levels of response grid — this asks the examiner to judge how well you have shown all four skills in your response. Top level answers will:

- 'show accurate and thorough understanding throughout, using the business context'
- 'use well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s)'
- 'use information well to support judgements, showing a full awareness of the validity and significance of competing arguments/factors'.

As a guide:

- For questions worth 10–14 marks, develop two arguments fully before making a judgement.
- For questions worth more than 14 marks, develop three arguments before making a judgement.

These answers will indicate points on which valid arguments can be developed and suggest typical ways to demonstrate all relevant skills for the question asked.

Mark scheme for 20 mark questions

Level	Mark	Descriptor
	0	A completely inaccurate response.
1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
2	5–8	Elements of knowledge and understanding, which are applied



		<p>to the business example.</p> <p>Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question.</p> <p>A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.</p>
3	9–14	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.</p> <p>Arguments are well developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p>
4	15–20	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.</p>

13: Decision-making techniques

- 1 Agree because: (20)
- Both techniques involve estimates rather than factual data: durations of activities in CPA are likely to be estimates; probabilities and possible outcomes in decision trees will also most likely be estimated; as a result the 'answers' may be unreliable.
 - Producing these analyses involves management time, which can be expensive.
 - The process of producing them may in fact delay time-



critical projects.

Disagree because:

- Both techniques can help to quantify decisions, thus providing a clearer answer.
- The cost of mistakes avoided due to a decision tree can be substantial, thus the benefit of using the technique may be significant.
- CPA allows wasted time to be reduced, saving money.
- CPA also helps to ensure that projects are completed quickly, probably reducing the costs involved in longer running projects.

- 2 Choose option D, ignore C. (1 mark) (8)
 Value at chance node after B is £2.8m. (1 mark)
 Deduct £1m cost of B and that option generates an expected value of £1.8m. (2 marks)
 Option A branch. Second node value is £1.2m. (1 mark)
 Therefore, value at first node is £0.6m + £1.5m = £2.1m. (1 mark)
 Deduct the cost of option A leaves an expected value of £0.1m. (2 marks)
 Therefore choose option B. (1 mark)

- 3 Payback A = 1 year and 6 months (2 marks) (12)
 Payback B = 1 year and 3 months (2 marks)
 ARR for A = $350 - 100 = 250/3 = 83.3/100 \times 100 = 83.3\%$ (2 marks)
 ARR for B = $360 - 100 = 260/3 = 86.7/100 \times 100 = 86.7\%$ (2 marks)

	Project A – Net cash flow (£m)	Discount factor	Discounte d cash flow	Project B – Net cash flow (£m)	Discount factor	Discounted cash flow
Year 0	(100)	1	(100)	(100)	1	(100)
Year 1	50	0.91	45.5	80	0.91	72.8
Year 2	100	0.83	83	80	0.83	66.4
Year 3	200	0.75	150	200	0.75	150

So, NPV Project A = £178.5 (2 marks) Project B = £189.2 (2marks)

- 4 (a) EST at node 2 = 5 (1 mark) (6)
 EST at node 3 = 8 (1 mark)
 EST at node 4 = 13 (1 mark)
 EST at node 5 = 17 (1 mark)
 EST at node 6 = 19 (1 mark)
 so EST at node 7 = 25 (1 mark)
- (b) B, D, F, H, I (1 mark) (1)
 (c) A = 3 (1 mark) (2)



$$E = 17 - 1 - 8 = 8 \text{ (1 mark)}$$