

GCSE

Business

J204/02: Business 2: operations, finance and influences on business

General Certificate of Secondary Education

Mark Scheme for June 2022

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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**PREPARATION FOR MARKING
RM3**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit.
3. Log-in to RM3 and mark the **required number** of practice responses (“scripts”) and the **required number** of standardisation responses.

YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING INSTRUCTIONS – FOR MARKING ON-SCREEN

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM3 messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Award No Response (NR) if:
- there is nothing written in the answer space.

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

7. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.** If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.
8. Assistant Examiners may send a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period.

9. Annotations

Annotation	Meaning	Annotation	Meaning
	Correct - 1 mark awarded	K	Knowledge (AO1a)
	Incorrect	U	Understanding (AO1b)
BOD	Benefit of doubt – mark awarded	APP	Application (AO2)
OFR	Own figure rule – mark awarded	AN	Analysis (AO3a)
TV	Too vague – no reward	EVAL	Evaluation (AO3b)
REP	Repetition – credit already given or answer repeats what is in the question or stem		
NUT	Not used text – answer does not make use of the context so no application mark		
NAQ	Not answered question – question is either omitted or answer is not relevant to the question asked		
SEEN	Noted but no credit given		
BP	Blank page (only use on Q18e)		
	Question mark – unable to make sense of what is written or unable to read due to poor handwriting		

Highlighting is also available to highlight any particular points on the script. (Do **NOT** use the comments box at the foot of the page)

ARA – Any Reasonable Answer - Where ARA is indicated within the Guidance column for any item on this mark scheme, examiners must accept any reasonable answer that in their professional opinion is as worthy of merit as those indicated on the final mark scheme. However, examiners should liaise with their Team Leaders/Principal Examiner wherever there remains any doubt as to whether or not a response (or part-response) should be awarded.

SECTION A			
Question	Answer	Marks	Assessment Objective
1	D	1	2
2	B	1	1a
3	A	1	2
4	C	1	2
5	D	1	2(PS)
6	D	1	2
7	D	1	1b
8	B	1	2
9	A	1	2
10	D	1	2
11	B	1	2
12	C	1	1b
13	A	1	1a
14	C	1	2
15	C	1	2

Question		Answer	Marks	Guidance
SECTION B				
16	a	Identify two possible advantages to a business of being environmentally friendly. Understanding may include: - Increases sales / more customers - Increases publicity/promotion/advertising/reputation - Can increase prices (competitive advantage) - Reduces costs - Reduces tax bills - Receive subsidies - Reduces resource scarcity / <u>more</u> sustainable business - Attracts investment ARA	2 AO1b 2	One mark for each advantage <u>to a business</u> of being environmentally friendly. ✓ NB: No reward for advantages which are not for a business (e.g. reduced emissions, climate change, reduced carbon footprint). <i>Answers do not need to relate to BP.</i>
	b	Explain one way climate change might affect business activity. Answers may include: - Leads to a change in business behaviour (e.g., switch to renewable energy, go greener, aim to be more sustainable) - Lead to marketing campaigns which publicise the firm's 'green' credentials - Risk to supplies/raw materials - Opportunities to supply goods (e.g., more sustainable products) - Increased costs of insurance Exemplar Response: May wish to switch to renewable energy (1) to reduce the potential for pollution fines (1). ARA	2 AO1a 1 AO1b 1	One mark for knowledge of a way climate change affects business activity. ✓ One mark for a further exemplification of that way. ✓ <i>Answers do not need to relate to BP.</i> No reward for the effect of climate change on other stakeholders No reward for the impact of policies in response to climate change No reward for answers which only consider the impact of 'bad weather'

Question	Answer	Marks	Guidance
c	Analyse how BP's finance function may influence its ability to meet BP's objectives. Understanding may include: • Informs the business as to how much money a business may have for investment/expansion. Includes: ○ Budgeting ○ Financial forecasts ○ Cash-flow forecasts ○ <u>Calculates</u> revenue, costs, profit ○ Informing spending or investment decisions Application may include: • Sells and distributes products • Products which impact the environment • Revenue increased from \$245bn to \$283bn • 18,700 petrol stations (8,500 in UK) • Extracts oil from seas around the world • Strives to be more sustainable • Aims to reduce carbon emissions by 2050 • Installing electric charging points / Investing into wind farms Analysis may include: • Monitors revenue/profits to inform managers/directors as to how much money the business has to invest in buying / going into partnership with environmentally friendly businesses • Investigates the financial stability of potential takeovers/ partnerships • Provides financial information into costs of diversification/ investments	3 AO1b1 AO2 1 AO3a 1	One mark for understanding of the finance function.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application of understanding to BP, using evidence from the text. APP One <u>further</u> mark for analysis of how the finance function affects objectives.  An answer must say more than “the finance function is about finance” to gain the understanding mark (tautological)

Question			Answer	Marks	Guidance
			Exemplar response: The finance function produces budgets (1) in order to provide accurate financial information for BP's managers to make informed decisions about possible partnerships (1) when developing wind farms (APP) . ARA		
	d	(i)	Calculate the percentage change in BP plc's revenue between 2017 and 2019. $\$283\text{bn} - \$245\text{bn} = \$38\text{bn}$ (1) $\$38\text{bn} \div \$245\text{bn} \times 100 = \underline{15.5\%}$ (1) [OFR]	2 AO2 2	Two marks for correct answer (with or without workings).  One mark for evidence of calculating the change in revenue (\$38bn) with or without units. % sign not required as it is printed on the paper. Accept 15% or 16% as a correct answer (as long as workings are shown). Evidence that the wrong number has been used as the denominator to give an answer of 13.4% is 1 mark (OFR) An answer of 115.5% (with workings) is 1 mark
		(ii)	Identify two factors that can affect a company's revenue. Answers may include: • The number of competitors • The actions of competitors • The price of the product • The level of sales / output • Demand factors (e.g., quality of the product, customer service etc.) • <u>Increasing</u> product range ARA	2 AO1a 2	One mark for each of two correct factors affecting revenue.  <i>Answers do not need to relate to BP.</i> No reward for answers about costs or production levels Accept answers which will cause a change in demand (e.g., company reputation, customer service, promotion etc.)

Question		Answer	Marks	Guidance
e	(i)	Identify two reasons why a UK business might choose to locate in another country. Answers may include: • Lower costs such as labour, technology, property / land • Availability of skilled labour • <u>Proximity</u> to customers / market • <u>Proximity</u> / availability of raw materials • Availability of subsidies/grants • Level of taxation ARA	2 AO1a 2	One mark for each of two correct benefits of locating in another country.  <i>Answers do not need to relate to BP.</i> This is about the firm's location, rather than where the product is sold, so no reward for general answers such as 'more customers' or 'more business opportunities'.
	(ii)	Evaluate how globalisation has influenced where BP locates its businesses. Application may include: • UK based company • Sells and distributes products all over the world • 18,700 petrol stations around the world • Extracts oil using rigs in the sea around UK, Norway, Australia, Angola, the Gulf of Mexico • Striving to be more sustainable (aims to cut carbon emissions) • Wind farms in America. Analysis may include: • Being near customers so they can sell more • Being near raw material to keep transport costs down • Having skilled workers in refineries to save labour costs • Large multinational can afford to operate in a lot of markets across the globe • Reduces costs by being where new technology is developed.	7 AO2 2 AO3a 2 AO3b 3	Use the level of response marking grid to assess skill levels. Annotate as: Up to two marks for application to BP APP Up to two marks for analysis AN Up to three marks for evaluation EVAL NB: Context must be <u>used</u> to be awarded as application. Analysis must be a business-facing impact. For strong evaluation, i.e., the full three marks, the evaluation must be contextual. Answers need to be focused on <u>the influence on location</u> as opposed to the influence on the business of globalisation generally

Question			Answer	Marks	Guidance
			Evaluation may include: • Essential for BP as its raw materials are all over the globe • But it costs BP a lot to set up locations around the globe • Potential downsides of locating globally (e.g., working conditions, political repression of minorities). Exemplar response: BP needs to be near its customers, so it has set up 18,700 (APP) petrol stations around the world. This helps them get more sales which will contribute to their profits (AN). BP's raw materials, need to be extracted at sites all over the world from their oil rigs (APP) so BP need to be global so they can find and drill for oil, producing more to sell on the global market (AN). Globalisation is very important for BP's location (EVAL) because its product is found all over the world (EVAL) and it needs to set up operations to extract and sell this to countries everywhere (EVAL). ARA		

Q16(eii) Evaluate how globalisation has influenced where BP locates.

	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	2 marks Two <u>uses</u> of context [APP] [APP]	2 marks Two (business-facing) pieces of analysis of how globalisation affects location. [AN] [AN]	3 marks A justified judgement about how globalisation affects BP's location, using the evidence [EVAL] [EVAL] [EVAL]
Good			2 marks A justified judgement about how globalisation affects location [EVAL] [EVAL]
Limited	1 mark One <u>use</u> of context [APP]	1 mark One (business-facing) piece of analysis of how globalisation affects location. [AN]	1 mark A judgement about how globalisation affects location [EVAL]

Question			Answer	Marks	Guidance
17	a	(i)	Identify one method of selling products to customers. Answers may include: • E-commerce/online/websites/digitally • Shops/retail • Face to face • Telesales • Mail order/catalogues ARA	1 AO1a 1	One mark for a correct method. 
	b	(i)	Identify two ethical considerations for a business. Answers may include: • Treatment of workers (e.g., <u>fair</u> wage, child labour, modern slavery) • Treatment of suppliers (e.g., fair prices, payment terms) • Treatment of customers • Ethical marketing factors • How to source materials (e.g., ethical credentials, fair trade). ARA	2 AO1a 2	One mark for each of two correct considerations.  <i>Answers do not need to relate to QT.</i> No reward for environmental considerations (e.g., less use of fertilisers) or issues which are legal requirements (e.g., pay the minimum wage, discrimination, safe working conditions, illegal advertising).
		(ii)	Explain one reason why a business should act ethically Answers may include: • Customers may shop at ethical firms – as they want to be associated with businesses which act fairly • Suppliers may want to work with the company - as they want to be associated with businesses which do more than the law requires • Investors might want to be associated with an ethical firm - as they want to be associated with businesses which act fairly • Improved motivation of employees – who want to work for firms which have ethical standards • Improved reputation – which may give them a competitive advantage	2 AO1a 1 AO1b 1	One mark for knowledge of a reason why a business may act ethically.  One mark for a further exemplification of that way.  <i>Answers do not need to relate to QT.</i> No reward for suggesting it helps them to avoid breaking the law or being fined.

Question			Answer	Marks	Guidance						
			Exemplar response: Improves the company's reputation (1) which leads to customers who are concerned about ethics wanting to buy the product (1). ARA								
	c	(i)	Calculate the average rate of return (ARR) for the Standard Van by using the information in Table 2. Show your workings. <table><tr><td>Cost of Van</td><td>£40 000</td></tr><tr><td>Total net profit for the life of the van</td><td>£60 000</td></tr><tr><td>Estimated life</td><td>3 years</td></tr></table> $\pounds 60,000 \div 3 = \pounds 20,000$ (1) $(\pounds 20,000 \div \pounds 40,000) \times 100$ (1) [OFR] $= \underline{50\%}$ (1) [OFR]	Cost of Van	£40 000	Total net profit for the life of the van	£60 000	Estimated life	3 years	3 AO2 3	Up to three marks for correct answer (with or without workings). One mark for average yearly profit (£20,000) One mark for dividing yearly profit by cost of investment (OFR) % sign not required as it is printed on the paper.
Cost of Van	£40 000										
Total net profit for the life of the van	£60 000										
Estimated life	3 years										
		(ii)	Analyse one reason why QT should buy the Standard Van. Refer to Table 2 in your answer Understanding may include: • It is cheaper • Growth/expansion • Higher ARR/ return on investment / profit • Meets objectives Application may include: • The price of a Standard Van is £10,000 less than the other model • Total profit of £60,000 for the Standard Van (not £20,000) • Standard Van has a better ARR of 50% (OFR) compared to the Superior Van of 35%	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding a reason for buying the Standard van. <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application of understanding to QT, <u>using Table 2</u> . One <u>further</u> mark for analysis of benefit of buying the Standard van. To award the APP mark the data must be explicitly used. So an answer of “the price is lower” only gains the understanding mark. However, “the price						

Question		Answer	Marks	Guidance
		Analysis may include: • Less risk to QT • Less damage to cash flow • Allows the business to grow • Will be able to recover the cost more quickly • Able to use money saved from not buying the Superior Van Exemplar response: The Standard Van's rate of return has a better ARR (1) of 50% compared to the Superior Van of 35% (APP). This means that QT will gain more profit when compared to the capital outlay (1). ARA		is £10,000 less than the Superior Van" gains both the understanding <u>and</u> application marks.
	d (i)	Analyse QT's cash position considering its current expansion plans. Understanding may include: • Money held in the bank (accept references to 'bank balance', 'closing balance') • Money on the premises (cash in hand or petty cash) • The money available to spend • Reference to cash flow. Application may include: • Medium-sized, established business • Sells to retail shops • Needs at least £40,000 for the van • Will need to take out a bank loan • Deteriorating cash position / cash has fallen from £500 to zero in four months • Current cash position is zero Analysis may include: • It will struggle to pay day to day debts	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding cash <u>or</u> cash position.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application of understanding QT's cash position. APP One <u>further</u> mark for analysis of an impact on a business that is expanding.  If using Fig. 1 to gain the APP mark, answers must reference the <u>changes</u> in cash flow.

Question		Answer	Marks	Guidance
		• The business may fail (go bankrupt) • Banks may not lend it money • May cause liquidity problems (send cash flow negative) • May be unable to go ahead with its expansion plans. Exemplar response: Cash is the money QT has in its bank account to spend (1). It currently has poor cash levels because its closing balance has fallen by £500 in five months (APP) which may mean the bank will not lend it money (1). ARA		
	(ii)	Analyse QT's profit position considering its current expansion plans. Understanding may include: • Profit is calculated by subtracting total costs from total revenues • Shown by profit <u>margins</u> Application may include: • Gross profit margin has increased (from 57% to 65%) • Net profit margin has increased (from 23% to 27%) Analysis may include: • Increased profits will help to pay for the planned expansion • Managers are keeping costs under control • Sales must be good/growing • Banks/investors may see improving profitability as a good reason to invest • Profits may be adversely affected by the expansion plans Exemplar response: Profit is calculated by subtracting total costs from total revenue (1). QT's profit has been improving, its gross profit margin has grown over	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding profit <u>or</u> profit position.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application of understanding QT's profit position. APP One <u>further</u> mark for analysis of an impact on a business that is expanding.  If using Table 1 to gain the APP mark, answers <u>must reference the changes</u> in profit margin(s).

Question			Answer	Marks	Guidance
			the last 3 years from 57% to 65% (APP) . This may encourage investors as they may get a good return on investment (1) . ARA		
		(iii)	Recommend whether QT's cash position or profit position will have the biggest impact on its expansion plans. A full answer needs a justified judgement based on the context. Further analysis of the two concepts should not be rewarded but can form part of a candidate's justification. Exemplar response: QT's cash position will have the biggest impact (1). Without cash they may struggle to meet the monthly repayments on any loan it receives from a bank for the new van (APP). This will stop them from growing and earning more revenue in the future (1). ARA	3 AO3b 3	One mark for a basic judgement whether cash or profit will have the greatest impact. ✓ <u>Plus</u> Two further marks for justification of whether cash or profit will have the greatest impact with use of context. (APP) ✓ <u>or</u> One further mark for justification of whether cash or profit will have the greatest impact with no use of context. ✓

Question		Answer	Marks	Guidance
18	a	Identify one economic factor which may affect a company's profit. Answers may include: - Income/wage of consumers (Un)employment levels - Economic growth / GDP / state of the economy - Inflation ARA	1 AO1a 1	One mark for a correct economic factor. ✓ Accept any valid economic factor (but NOT a legal or political factor) The 'economic climate' is TV Costs/rents or prices are not 'economic factors'
	b	Analyse the importance of quality in the production of the houses that BD plc produces. Understanding may include: Explanation of reason why quality is important, e.g., reputation, brand identify, customer satisfaction, production / consumer law, etc. Application may include: - UK's largest house builder - Annual profit of £900m; increased by 8.9% p.a. - Vision to lead the future of housebuilding ("putting customers at the heart of everything") - Carefully developed brand to fit market segments - Monitors break-even closely - Pre-assembled components - Sources 90% of raw materials in UK. Analysis may include: - Quality houses lead to more sales/profit - Poor quality may lead to loss of sales or closure - Helps to reduce costs related to prosecution - Reduces costs of continual repairs Exemplar response:	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding of the importance of quality. ✓ <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application of understanding to Barrett homes, using evidence from the APP text. One <u>further</u> mark for analysis of the importance of quality in production for a business. ✓ Issues such as reputation or customer satisfaction <u>only</u> shows understanding of quality (not analysis). The analysis mark must be for a tangible impact on the business (e.g. more sales, profit, costs etc.)

Question		Answer	Marks	Guidance
		Producing quality goods is likely to secure a firm's reputation (1). BD wants to lead the future of housebuilding (APP) to ensure profits are made which allows funds for further house building (1). ARA		
	c	Analyse one advantage to BD plc of obtaining 90% of its raw materials from the UK. Understanding may include: • Quicker/easier to receive supplies • More reliability of supply • Easier to check the provenance of supplies • Shorter supply chain • Lower transportation costs Application may include: • UK's largest house builder • Profits have increased by 8.9% to £900m • Vision to lead the future of housebuilding • Carefully developed brand • Monitors break-even closely • Pre-assembles components in its factory • Roofs, walls, garages, timber or steel frames. Analysis may include: • May minimise delay in completion of houses • May help to increase profits • May allow the selling price of houses to be kept low • The benefits of a 'Buy British' marketing campaign • Reduces emissions (gains environmental publicity) • Buying supplies from abroad may lead to higher costs, delays. Exemplar response:	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding of an advantage of obtaining supplies from the UK.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application to BD. APP One <u>further</u> mark for analysis of the given advantage on a business.  Only reward advantages of using UK sourcing (which may be implied by a disadvantage of importing) No reward for APP of mentioning '90% of raw materials from the UK' as that is in the question (therefore, also no credit for 10% from rest of the world).

Question		Answer	Marks	Guidance
		Obtaining supplies from the UK is likely to speed up delivery times (1) . As many components are needed to pre-assemble (APP) . This will minimise production delays in building the final house (1) . ARA		
	d	(i) Analyse one advantage and one disadvantage to BD plc of producing components in batches at its factory. Application may include: • UK's largest house builder • Vision to lead the future of housebuilding • Carefully developed brand • Monitors break-even closely • Partly assembles in its factory • Pre-assembled • Roofs, walls, garages, timber or steel frames. <u>Advantage of batch production</u> Understanding may include: • Able to produce a range of different styles • Possible to use more machinery and/or automation • Allows specialisation / division of labour • It would be more accurate / consistent / less errors or faulty products Analysis may include: • Should lead to lower average cost • Less training of labour required • Allows for greater output <u>than job production</u> • Allows for more variety <u>than flow production</u> • Allows firm to target its market segments	6 AO1b 2 AO2 2 AO3a 2	Advantage One mark for understanding of a possible advantage of batch production.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application to BD. [APP] One <u>further</u> mark for analysis of the given advantage for a business.  Disadvantage One mark for understanding of a possible disadvantage of batch production.  <i>No further marks can be gained without understanding.</i> One <u>further</u> mark for application to BD. [APP] One <u>further</u> mark for analysis of the given disadvantage for a business.  No reward for any answers which mention the speed of production ('quick to produce' or 'time consuming') unless it is in reference to the switching between batches

Question	Answer	Marks	Guidance
	<u>Disadvantage of batch production</u> Understanding may include: • Increased levels of work in progress / stocks • Longer production time <u>than flow production</u> • Takes time to switch from one batch to another • Less chance to produce specialised products for customers • Work may be boring or repetitive / demotivating for workers • Any errors will affect the <u>whole</u> batch Analysis may include: • Higher storage costs (no reward for a generic reference to higher costs) • Fall in efficiency / output / income levels • Loss of customers to competitors with even more options Exemplar response: It will allow greater division of labour (1) which may help to reduce average costs of production (1). As BD is monitoring its break-even carefully this will be helpful (APP). Jobs may become more boring (1) as a worker is constantly making the same pre-assembled component (APP). This may reduce the productivity levels for BD (1). ARA		No reward for answers which focus on the issues surrounding the building of components in the factory as opposed to the production method being used

Question		Answer	Marks	Guidance
		(ii) Recommend whether BD plc should continue to produce components in batches at its factory. A full answer needs a justified judgement based on the context. Further analysis should not be rewarded but can form part of a candidate's justification. Exemplar response: BD should continue to produce using batch production (1). BD 'promotes and prices its homes to match the needs of customers' (APP). Without high quality production, its aims will not be met, and job production will be too slow to keep up with demand (1). BD should stop batch production and switch to flow (1). It is the UK's biggest house builder with a profit of 8.9% (APP). This means their products are in high demand and flow production will allow products to be made in mass (1). ARA	3 AO3b 3	One mark for a basic judgement whether BD should continue to produce components in batches at its factory. ✓ <u>Plus</u> Two further marks for justification of whether BD should continue to produce components in batches at its factory with use of context. (APP) ✓ <u>or</u> One further mark for justification of whether BD should continue to produce components in batches at its factory with no use of context. ✓ Accept an answer which suggests that BD should switch to a different method of production (which implies they should not continue with batches) Ensure the decision is about whether to continue with batch production, as opposed to whether to continue to produce in the factory.

Question	Answer	Marks	Guidance
e*	Evaluate how useful break-even analysis is to BD plc's pricing and promotional decisions Knowledge may include: • Break-even is a forecasting / planning tool • Shows how many products need to be sold so that a profit can be made • It shows where no profit or loss is made (where $TC=TR$). Understanding may include: • Break-even uses estimates of potential costs and revenue • Break-even can forecast what happens if you change price or costs • Break-even is usually presented in the form of a table or graph • May be used to calculate margin of safety Application may include: <u>Pricing</u> • Reference to price or different pricing methods/decisions <u>Promotion</u> • Reference to promotion or different promotion methods/decisions Analysis may include: <u>Pricing</u> • The business can see if a change in price will affect the ability to achieve break-even point • Prices can be changed to ensure costs are covered • Prices can be changed to ensure profits can be made <u>Promotion</u> • Leads to higher output to meet the break-even point • Helps sales to achieve a target level of profit	9 AO1a 1 AO1b 1 AO2 2 AO3a 2 AO3b 3	Use the level of response marking grid to assess skill levels. Annotate as: One mark for knowledge of break-even K One mark for understanding of break-even U Up to two marks for synoptic application* APP Up to two marks for analysis AN Up to three marks for evaluation EVAL *Application refers synoptic application only. Analysis must be a <u>business-facing</u> impact For strong evaluation i.e., the full three marks, the evaluation must be contextual.

Question	Answer	Marks	Guidance
	- Promotional decisions can be made to cut costs to help achieve the break-even point. Evaluation may include: - Sales revenue is directly affected by price, so the right method/level needs to be chosen - Promotional activity will push up total costs and break-even but will also help BD plc reach targets - Limitations of break-even analysis as a planning tool Exemplar response: Break-even is a forecasting tool (K). It uses estimates of potential costs and revenues to identify a level of output when profits start to be earned (U). BD plc could use break-even to ensure that prices are set to cover costs (APP). If the price is set too low far too many houses will need to be sold to start to make a profit (AN). It could also use the forecast to help decide on the level of promotion it is going to use as the more they advertise (APP) the more its costs could rise, pushing up the break-even level and reducing profits (AN). Break-even is useful for BD plc's marketing decisions (EVAL). By setting the right price they can then set targets for sales that will ensure profits are made (EVAL). This may mean making promotional decisions to ensure BD matches the market segments it is targeting (EVAL-Context). ARA		

Q18(e)* Evaluate how useful break-even analysis is to BD plc's pricing and promotional decisions.

	Knowledge (1 mark)	Understanding (1 mark)	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	1 mark Knowledge of break-even analysis [K]	1 mark Understanding of break-even analysis [U]	2 marks One example of pricing decisions <u>AND</u> promotional decisions [APP] [APP]	2 marks Two (business facing) pieces of analysis which show how break-even analysis is useful for pricing <u>AND</u> promotional decisions [AN] [AN]	3 marks A justified contextual judgement about the usefulness of break-even analysis to pricing <u>AND</u> promotional decisions [EVAL] [EVAL] [EVAL]
Good					2 marks A justified non-contextual judgement about the usefulness of break-even analysis to pricing <u>OR</u> promotional decisions [EVAL] [EVAL]
Limited			1 mark One example of pricing decisions <u>OR</u> promotional decisions [APP]	1 mark One (business facing) piece of analysis which shows how break-even analysis is useful for pricing <u>OR</u> promotional decisions [AN]	1 mark A judgement about the usefulness of break-even analysis [EVAL]

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