

GCSE (9–1)

Business

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

General Certificate of Secondary Education

Mark Scheme for November 2020

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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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Annotations

Annotation	Meaning
	Analysis (AO3a)
	Application (AO2)
	Benefit of doubt
	Blank page
	Cross
	Evaluation (AO3b)
	Knowledge (AO1a)
	Not answered question
	No use of (con)text
	Own figure rule
	Repeat
	Noted but no credit given
	Too vague
	Tick
	Understanding (AO1b)

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

Question			Answer	Mark	Guidance
16	(a)	(i)	Explain one reason why quality is important to a business in the production of goods. Knowledge & Understanding may include: • Reputation of the business • To gain new customers • To satisfy customer needs • Retain existing customers • Reduce product returns and recalls • It avoids waste • Avoids disruption to production • Allows a higher price to be charged Exemplar response: To maintain a good reputation (1) as consumers expect quality to be high. (1) ARA	2 A01a 1 AO1b 1	1 mark for knowledge of a reason why quality is important to a business  1 mark for a further exemplification of that reason  <i>Answers do not need to relate to JLP</i>
		(ii)	JLP's electrical department staff have good product knowledge. Analyse one positive impact of this on the quality of JLP's customer service. Understanding may include: • Able to provide help/advice/suggestions • Customer is more confident • Customer more likely to ask for advice • Employee feels more confident • Employees can be more independent • Increased trust from consumers • The business will get good 'reviews' Application may include: • Chain of department stores • Wide range of products	3 AO1b 1 AO2 1 A03a 1	1 mark for understanding of a benefit of having knowledgeable employees.  <i>No further marks can be gained without understanding.</i> 1 further mark for application of understanding to JLP, using evidence from the text. APP 1 further mark for analysis of one positive impact for a business of having knowledgeable staff.  The answer should be focused on the selling part of a business as opposed to manufacturing of products or identifying suppliers

Question			Answer	Mark	Guidance
			• Identification of specific products (clothing, home furnishings, computers, TVs & washing machines) sold by JLP • Uses face-to-face selling • Recent growth from e-commerce Analysis may include: • More sales • Customer more likely to return or tell others • Improved reputation/customer is happier Exemplar response: Employees are able to confidently discuss JLP's products (U). This is especially important for electrical goods because customers may not have the knowledge of computers and there is a wide range (APP) which should lead to more sales as consumers trust the company (AN). ARA		
16	(b)		Explain one role of procurement within JLP. Knowledge may include: • Identifying goods and services to buy • Choosing suppliers • Ordering goods and services • Receiving deliveries from suppliers Application may include: • Chain of department stores • Wide range of products • Identification of specific products (clothing, home furnishings, computers, TVs & washing machines) sold by JLP • Recent growth from e-commerce • High quality suppliers • Wide range of suppliers • Time spent evaluating new & existing suppliers • Aims to supply high quality products	2 AO1a 1 AO2 1	1 mark for knowledge of a role of procurement.  <i>No further marks can be gained without knowledge.</i> 1 further mark for application of procurement to JLP. APP Do not reward answers which only refer to 'having a wide range of products'. This is not knowledge of procurement.

Question			Answer	Mark	Guidance
			Exemplar responses: To identify high quality suppliers (K)(APP). One role of procurement is to choose which suppliers to use (K) for products such as televisions (APP).		
16	(c)		Explain two possible advantages to JLP of using e-commerce. Understanding may include: • Reduces costs/more efficient/more profit • Can reach a larger/wider market • Increase sales/size of the business • Can sell a wider range of products • Reduces the need for physical stores • Reduces the need for holding inventory • Less staff needed Application may include: • Chain of department stores • Wide range of products • Identification of specific products (clothing, home furnishings, computers, TVs & washing machines) sold by JLP • Currently uses face-to-face selling • Recent growth from e-commerce • High quality suppliers • Wide range of suppliers • Aims to supply high quality products Exemplar response: They do not need to hold a lot of inventory (U) of large items such as washing machines (APP). Even though JLP has a chain of stores (APP) using e-commerce means even more people can buy from the company (U). ARA	4 AO1b 2 AO2 2	1 mark for each advantage to a business of using e-commerce, up to a maximum of 2 marks.  <i>No further marks can be gained without understanding.</i> 1 further mark for application of each advantage to JLP, using evidence from the text, up to a maximum of 2 marks. APP Make sure that the two advantages are different Answers must explicitly or implicitly be an advantage to <u>the business</u> rather than the customer

Question			Answer	Mark	Guidance
16	(d)	(i)	Identify two factors that affect the supply decisions made by a business. Answers may include: • Reliability/reputation • Length of supply chain • Time/speed/location • Costs • Customer service • Availability (of substitutes/competitors) • Quality	2 A01a 2	1 mark for each of two correct factors affecting supply decisions.  <i>Answers do not need to relate to JLP</i> Accept 'price of supplies'
16		(ii)	Evaluate factors that may have influenced JLP when choosing which suppliers to use. Application may include: • Chain of department stores • Wide range of products • Identification of specific products (clothing, home furnishings, computers, TVs & washing machines) sold by JLP • Recent growth from e-commerce • High quality suppliers • Wide range of suppliers • Time spent evaluating new & existing suppliers • Aims to supply high quality products Analysis may include: • Impact on customer service • Impact on sales • Impact on reputation • Impact on the length of the supply chain • Impact on JLP's costs • Impact on business risk	7 AO2 2 AO3a 2 AO3b 3	Use the level of response marking grid to assess skill levels. Annotate as: Up to 2 marks for application to JLP APP Up to 2 marks for analysis AN Up to 3 marks for evaluation EVAL Analysis must be a business-facing impact. For strong evaluation, i.e. the full three marks, the evaluation must be contextual. Ensure that answers focus on choosing suppliers rather than any decision about choosing specific products

Question			Answer	Mark	Guidance
			Evaluation may include: • Depends on the level of competition in the market • How important is cost of supplies to JLP • Depends where the suppliers are located or how many there are • Depends on the finance available to JLP Exemplar response: When the business purchases from suppliers it needs the goods to be delivered quickly, so that there are products for sale in store (APP). If they are not, customers are likely to go to another store and JLP will lose customers (AN). However, this is less important when customers are purchasing online (EVAL) because they are likely to put up with a longer delivery time and this is JLP's growth market (APP). When customers purchase goods from JLP they will expect them to be of high quality. Therefore, JLP's suppliers must provide high quality goods. If they do not, then customers will return the goods to JLP and may demand a refund (AN). This is likely to be the most important factor because JLP operates in the competitive retail market (EVAL) and their reputation may be a reason why customers choose to shop with JLP (EVAL). ARA		

Q16(dii) Evaluate factors that may have influenced JLP when choosing which suppliers to use.

	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	2 marks Two uses of context [APP] [APP]	2 marks Two (business-facing) pieces of analysis of factors regarding the choosing of suppliers [AN] [AN]	3 marks A justified judgement about factor(s) influencing JLP's choice of suppliers, using the evidence [EVAL] [EVAL] [EVAL]
Good			2 marks A justified judgement about factor(s) influencing the choice of suppliers [EVAL] [EVAL]
Limited	1 mark One use of context [APP]	1 mark One (business-facing) piece of analysis of factor(s) regarding the choosing of suppliers [AN]	1 mark A judgement about factor(s) influencing the choice of suppliers [EVAL]

Question			Answer	Mark	Guidance
17	(a)	(i)	Identify one reason, other than expansion, why a business may need to raise finance. Answers may include: - Starting a new business - Recruitment activities - For marketing/advertising/promotion - To buy raw materials/stock/machinery - To manage cash flow/working capital/day-to-day expenses - To cover costs - To refurbish stores - To improve quality ARA	1 AO1a 1	1 mark for a correct reason  Do NOT reward reasons linked with expansion or growth, as that is excluded in the question. <i>Answers do not need to relate to LC</i>
17	(b)	(i)	Calculate the break-even point for LC. BE = FC/(SP-VC) or FC/Contribution (1) <u>£7,440</u> £50 – £19 (1) = <u>240</u> (1) OFR	3 AO1a 1 AO2 2	3 marks for correct answer (with or without workings).  Award: 1 mark for correct formula 1 mark for the correct use of figures 1 mark for OFR if incorrect answer is given but through an error in the use of figures (<u>as long as workings are clear</u>) Maximum of 2 marks if wrong units (e.g. £)
		(ii)	Analyse one way Elizabeth could use her break-even data. Analysis may include: - Impact on the pricing decision - Helps in planning to make/identify profit - To help when trying to obtain finance - To identify the margin of safety - To help make judgements about costs	3 AO2 2 AO3a 1	Up to 2 marks for application of using break-even data, using evidence from the text or break-even calculation (OFR) APP 1 mark for analysing one way of using break-even data 

Question			Answer	Mark	Guidance
			Application may include: • Use of the break-even answer in part (i) [OFR] • Any reference to data in Table 1 and/or data for 2019 • Elizabeth has opportunity to expand by taking over a competitor • May move to larger premises • Could use crowdfunding or a bank loan Exemplar responses: Elizabeth could change her pricing strategy (AN). By increasing the price from £50 (APP) to £60 would reduce the break-even point to 182 (APP). She could use the break-even data to help raise finance (AN). The bank would be more willing to provide a loan (APP) to help Elizabeth's expansion plans (APP) if they had this information. ARA		
17	(c)	(i)	Calculate the gross profit margin for 2019. $\text{£}118,000/\text{£}150,000 \times 100$ = <u>78.7%</u> (Accept 79% or 78.6%)	2 AO2 2	2 marks for correct answer (with or without workings).  1 mark for evidence of using the correct two numbers Maximum 1 mark if answer has the incorrect units or magnitude
17	(c)	(ii)	Calculate the net profit margin for 2019. $\text{£}56,800/\text{£}150,000 \times 100$ = <u>37.9%</u> (Accept 38% or 37.8%)	2 AO2 2	2 marks for correct answer (with or without workings).  1 mark for evidence of using the correct two numbers Maximum 1 mark if answer has the incorrect units or magnitude

Question			Answer	Mark	Guidance
17	(d)	(i)	Analyse one advantage and one disadvantage to Elizabeth of using crowdfunding to finance the takeover. Advantages of crowdfunding may include: • Provides cheap investment • Social media can be easily used to keep investors informed of the progress of the business venture • Investors may have experience or skills that they can offer the business • No need to pay back the money Disadvantages of crowdfunding may include: • Not every crowdfunding project receives enough finance to go ahead • A great deal of time and effort will need to go into promotion of the crowdfunding project • If the business does not reach the crowdfunding target, any finance will usually be returned to the investors • The business may have to give away too much (products/shares etc.) to get enough funding Application may include: • Small business/niche market • Sells to retail and the Internet • Uses social media (10,000 Instagram followers) • Celebrity influencers • Any reference to financial data for 2019 or in Table 1 • Stable cash flow forecast • Intends to raise £30,000 Analysis may include: • Might affect ongoing finance • Impact on costs • If the project is newsworthy, it might attract publicity • Investors may become customers	6 AO1b 2 AO2 2 AO3a 2	One mark for an advantage of using crowdfunding U <i>No further marks can be gained without understanding.</i> One further mark for application of an advantage of using crowdfunding to Elizabeth, using evidence from the text. APP One further mark for analysis of an advantage of using crowdfunding to finance a takeover AN One mark for a disadvantage of using crowdfunding U <i>No further marks can be gained without understanding.</i> One further mark for application of a disadvantage of using crowdfunding to Elizabeth, using evidence from the text. APP One further mark for analysis of a disadvantage of using crowdfunding to finance a takeover AN Accept references to LC or Elizabeth

Question	Answer	Mark	Guidance
	• A failed crowdfunding project may jeopardise the businesses reputation • Impact on time commitment of Elizabeth (opportunity cost) • Impact on business support • Impact on ownership structure in the future • Impact on future profit/profitability Exemplar responses: Crowdfunding can provide cheap investment (U) because Elizabeth already has 10,000 followers on Instagram (APP), so she does not need to spend lots of money to find interested investors (AN). Crowdfunding may cost Elizabeth a great deal of money (U) because she will need to give incentives to potential investors, such as free cushions (APP) reducing the profitability of the expansion (AN). ARA		
(ii)	Recommend whether Elizabeth should use crowdfunding or a bank loan to finance the takeover. Answer needs a supported judgement so students could justify using crowdfunding or a bank loan to finance expansion (or a combination of the two). Further analysis of either option should not be rewarded but can form part of a candidate's justification. Exemplar response: I would tell Elizabeth to use a bank loan (1) as it is quick and relatively easy to arrange whereas she might struggle to raise any money through crowdfunding as she is selling upmarket expensive cushions (APP) and people may not like the price/product therefore not want to invest (1). ARA	3 AO3b 3	One mark for a judgement whether Elizabeth should use crowdfunding or a bank loan  One further mark for justification of a judgement whether Elizabeth should use crowdfunding or a bank loan  One mark for use of context within the justification. APP

Question		Answer	Mark	Guidance
18	(a)	State one ethical consideration a business may need to consider. Answers may include: • Treatment of workers (e.g. child labour, fair wages) • Treatment of customers • Treatment of suppliers • Sourcing of raw materials (e.g. Fairtrade) • Marketing/ethical marketing (e.g. fair prices) ARA	1 AO1a 1	1 mark for a correct ethical consideration  <i>Answers do not need to relate to Aston Martin</i> Do NOT reward answers which are clearly legal or environmental considerations (e.g. discrimination/ minimum wage or pollution/sustainability)
	(b)	Analyse one method of sustainable production that AM plc could use. Knowledge may include: • Using renewable resources or less non-renewable resources • Using solar energy in production • Sustainable construction • Saving water/switching off lights • Disposing of waste properly • Transportation (of workers and supplies) Application may include: • <u>Luxury sports cars</u> • More than 150 dealerships in over 50 countries • Globalised supply chain • Expanding brand into speed boats, submarines & property • Centrally located production site • Over 3000 workers • Highly skilled workers • Use most up-to-date machinery • Finished cars transported all over UK and beyond • Proud of commitment to the environment Analysis may include: • Impact on costs of production • Impact on productivity/efficiency/competitive advantage	3 AO1a 1 AO2 1 AO3a 1	One mark for knowledge of a method of sustainable production  <i>No further marks can be gained without knowledge.</i> One further mark for application of understanding to AM plc, using evidence from the text. APP One further mark for analysis of how using a method of sustainable production may affect a business  Do not reward answers which just focus on producing 'greener' cars/products

Question			Answer	Mark	Guidance
			- Impact on customer loyalty - Impact on publicity/reputation Exemplar response: AM plc could use solar energy in their production plant (K). This would cut back their use of non-renewable energy to power their up-to-date machinery (APP) which could reduce the cost of producing cars (AN). ARA		
18	(c)		Analyse one possible factor that AM plc may have considered when choosing the location of its main production site. Understanding may include: - Availability/cost of workers - Cost of premises/rent - Space available - Attitudes of the owners - Transport infrastructure - Government incentives - Economic conditions - Proximity to the market/suppliers Application may include: <u>Luxury sports</u> cars - More than 150 dealerships in over 50 countries - Globalised supply chain - Centrally located production site - Over 3000 workers - Highly skilled workers - Finished cars transported all over UK and beyond - Proud of commitment to the environment - Unemployment rates and consumer income in the bar charts	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding of a factor to consider when choosing location  <i>No further marks can be gained without understanding.</i> One further mark for application of understanding to AM plc, using evidence from the text. APP One further mark for analysis of a factor when choosing location 

Question			Answer	Mark	Guidance
			Analysis may include: • Impact on costs • Impact on productivity/efficiency/competitive advantage • Impact on success/growth • Impact on price Exemplar response: AM must locate in an area where there are skilled workers (U), as these are needed to produce luxury cars (APP). If they struggle to recruit these, its productivity could be adversely affected (AN). ARA		
	(d)	(i)	Analyse, with reference to Bar chart 1, one impact on AM plc of the changes in the UK unemployment rate. Understanding may include: • Less easy to recruit employees • Easier retention of employees • Consumers have more income • Increase in size of the economy/GDP Application may include: • Unemployment rate fell (from 7.5% in 2013 to 4% in 2018) • The fall in the unemployment rate is declining Analysis may include: • Wages may increase • Higher recruitment costs • Increased demand/revenue/profits Exemplar response: Decrease in the unemployment rate (APP) from 7.5% in 2013 to 4% may lead to increased demand in the economy (K) which may lead to increased sales for AM plc (AN). ARA	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding of an impact of a fall in the unemployment rate  <i>No further marks can be gained without understanding.</i> One further mark for application of understanding to AM plc, using evidence from bar chart 1. APP One further mark for analysis of an impact on a business of falling unemployment.  Answers MUST consider the change in the unemployment rate (rather than the simple presence of unemployment).

Question			Answer	Mark	Guidance
	(d)	(ii)	Analyse, with reference to Bar chart 2, one impact on AM plc of the changes in the average UK consumer income. Understanding may include: - Increased disposable income/consumer spending - Customers more able to purchase of normal/luxury goods - Prices may increase Application may include: - Average consumer income has increased (from £30,000 in 2014 to £32,250 in 2018) - Growth in consumer income was greatest in 2015 - Consumer income has grown slowly since 2015 Analysis may include: - Increased demand/revenue/profits - Consumers more likely to buy luxury products Potential customers have more income to spend on products (K) with an average income increase to £32,250 in 2018 from £30,000 in 2013 (APP). This may also lead to increased sales for AM plc (AN). ARA	3 AO1b 1 AO2 1 AO3a 1	One mark for understanding of an impact of a rise in consumer income  <i>No further marks can be gained without understanding.</i> One further mark for application of understanding to AM plc, using evidence from bar chart 2. APP One further mark for analysis of an impact on a business of a rise in consumer income.  Answers MUST consider the change in consumer income.
		(iii)	Recommend whether the change in the unemployment rate or the change in consumer income levels will have the greatest impact on AM plc. A full answer needs a supported judgement. Further analysis of the two variables should not be rewarded but can form part of a candidate's justification. Exemplar response: Whilst unemployment has fallen, those who have found a job are not all likely to purchase an expensive luxury car (APP). I therefore think that	3 AO3b 3	One mark for a judgement whether the unemployment rate or consumer income levels will have the greatest impact.  One further mark for justification of a judgement whether the unemployment rate or consumer income levels will have the greatest impact.  One mark for use of context within the justification. APP

Question			Answer	Mark	Guidance
			an increase in average consumer income will have the greatest effect (1) as more high earners will see an increase in their income (1).		
			ARA		
18	(e) *		Evaluate how globalisation may bring risk and reward to the shareholders of AM plc. Knowledge may include: - Globalisation is the process of interaction and integration between people, companies, and governments worldwide. Understanding may include: - Involves the movement of workers and/or capital from country to country - Greater dependence on external factors, e.g. exchange rates - Advances in transportation and communication technology. - Any other examples of how globalisation is found in an economy (e.g. a globalised supply chain) Application may include: <u>Risk</u> - Increased competition - Global brands will have to carefully manage the legal, political, cultural and regulatory requirements and expectations - Failure to survive <u>Reward</u> - More revenue/sales - Growth of ideas - Larger market size Analysis (for the shareholders of AM plc) may include: - Higher profits/dividends/share price - Higher market share may lead to a higher share price - Higher sales may mean reducing average cost per car hence increasing profitability and hence share price/dividends.	9 AO1a 1 AO1b 1 AO2 2 AO3a 2 AO3b 3	Use the level of response marking grid to assess skill levels. Annotate as: 1 mark for knowledge K 1 mark for understanding U Up to 2 marks for application* APP Up to 2 marks for analysis AN Up to 3 marks for evaluation EVAL *Application refers to synoptic application only Analysis must be a business facing impact For strong evaluation, i.e. the full three marks, the evaluation must be contextual.

Question			Answer	Mark	Guidance
			- Risks may mean profits may decrease which may decrease share price and dividends - Maintaining brand identity while at the same time customising products/marketing to appeal to local cultures, preferences and regulatory environments costs money which impacts on profitability and may decrease share price and dividends Evaluation may include: - The extent to which risk exceeds reward or vice-versa - The factors which may determine the balance between risk and reward - The use of contextual evidence to support any judgement Exemplar response: Globalisation is the process of integration between people & companies worldwide (K). It has led to greater reliance on external factors (U). Globalisation increases the size of the market, giving AM plc opportunities to sell more cars to more customers (APP). This may lead to more profits and increased dividends for shareholders (AN). However, being a global brand, AM plc will also face more competition (APP). This may force the business to cut costs or change the way in which the product is promoted in different countries which may affect profitability and a fall in its share price (AN). AM plc will need to carefully monitor the legal, political and regulatory requirements in each of the countries they sell to (EVAL). Of course, the impact on shareholders will depend on which counties AM plc expands to (EVAL) and whether a change in an external factor, such as the sterling exchange rate, will most affect risks or rewards (EVAL). ARA		

Q18(e)* Evaluate how globalisation may bring risk and reward to the shareholders of AM plc.

	Knowledge (1 mark)	Understanding (1 mark)	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	1 mark Knowledge of globalisation [K]	1 mark Understanding of globalisation [U]	2 marks One example of risk AND reward [APP] [APP]	2 marks Two (business facing) pieces of analysis which show how globalisation may affect <u>the shareholders</u> of AM plc [AN] [AN]	3 marks A justified judgement of the impact of globalisation on the risk AND reward of AM plc's shareholders [EVAL] [EVAL] [EVAL]
Good					2 marks A justified judgement of the impact of globalisation on the risk OR reward of AM plc's shareholders [EVAL] [EVAL]
Limited			1 mark One example of risk OR reward [APP]	1 mark One (business facing) piece of analysis which shows how globalisation may affect <u>the shareholders</u> of AM plc [AN]	1 mark A judgement of the impact of globalisation [EVAL]

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