



Practice Paper

GCSE (9-1) Business

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

MARK SCHEME

Duration: 1 hour 30 minutes

MAXIMUM MARK 80

FINAL
Last updated: 30/08/2018

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

Question			Answer	Mark	Guidance
16	(a)	(i)	<p>Methods of ensuring quality:</p> <ul style="list-style-type: none"> • Quality control – allow an example of quality control such as inspection of samples when arriving at the supermarket/leaving suppliers or the use of a mystery shopper for retail services. • Quality assurance – allow an example of quality assurance such as continual checking on a production line or training staff to look for errors 	2 A01a 2	1 mark for a correct identification
		(ii)	<p>Answers may include:</p> <p><u>Advantages of online retail</u></p> <ul style="list-style-type: none"> • Easy access to market • Reduced overheads • Potential for rapid growth - selling on the internet means traditional constraints to retail growth - eg finding and paying for larger premises- are not major factors. • Widen your market / export - one major advantage over premises-based retailers is the ability to expand your market beyond local customers very quickly. You may discover a strong demand for your products in other countries which you can respond to by targeted marketing, offering your website in a different language, or perhaps partnering with an overseas company. • Customer intelligence - ability to use online marketing tools to target new customers and website analysis tools to gain insight into your customers' needs. • Open 24-7 	3 AO1b 1 AO2 1 A03 1	<p>1 mark for understanding of selling through e-commerce.</p> <p>1 further mark for application of Tesco plc selling through e-commerce.</p> <p>1 further mark for analysis of one advantage to Tesco plc of selling through e-commerce.</p>

		<p>Exemplar response: E-commerce allows customers to make purchases on the internet at any time of day or night (1). This is important to Tesco PLC because many of their stores are only open during the day (1). This can lead to more sales which may mean more profit and can provide the funds for expansion (1)</p>		
16	(b)	<p>Answers may include:</p> <ul style="list-style-type: none"> • Impact on the reputation of the business • Impact on the safety of the consumer • Impact on the quality of goods • Impact of complying with the law – finance to ensure standards meet legal requirements <p>Allow ‘the possible impact of not complying with the law’ – e.g. fines</p> <p>Exemplar response: One possible impact is that if Tesco plc sells products which are not as described it could get fined (1) and subsequently receive poor press coverage which could then lead to a poor reputation and a loss of sales (1).</p>	2 AO1a 1 AO2 1	<p>1 mark for identifying how consumer law may impact a business.</p> <p>1 further mark for application of the impact on Tesco plc.</p>
16	(c)	<p>Answers may include:</p> <ul style="list-style-type: none"> • Products to sell in store • Reputation may be harmed if products are not available • Consumers expect the same products each time they shop • Cost of finding new suppliers • Building trust (e.g. horsemeat issue) <p>Exemplar response: Need to have reliable suppliers as Tesco needs the products on the shelves (1) otherwise its sales / profit could be affected</p>	4 AO1b 2 AO2 2	<p>1 mark for understanding of a reason why having reliable suppliers is important to a business, up to a maximum of 2 marks.</p> <p>1 further mark for application of a reason why having reliable suppliers is important to Tesco plc up to a maximum of 2 marks.</p>

			Exemplar response: Suppliers must be reliable in providing quality (1) products otherwise reputation may be affected (1) and Tesco plc's sales may decrease		
16	(d)	(i)	Answers may include: <ul style="list-style-type: none"> • Less money in the economy • People have less money/income • Less luxury (expensive) goods purchased • More inferior (cheap) goods purchased • Cheaper to employ new workers • Less pressure for pay increases • More potential workers to employ 	2 A01a 2	1 mark for each correct identification up to a maximum of 2 marks
		(ii)	Answers may include: Stakeholders; There are many but can include <ul style="list-style-type: none"> • shareholders • directors • employees • customers • suppliers Rise in unemployment may lead to; <ul style="list-style-type: none"> • Less money in the economy • Less sales / less profits • Lower confidence which leads to customers being cautious in terms of spending which leads to less spending 	7 AO2 2 AO3a 2 AO3b 3	Use levels of response criteria All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach. Level 3 (5-7 marks) (AO2 – 2 marks, AO3a – 2 marks, AO3b – 3 marks) Good application of knowledge and understanding of the impact of a rise in unemployment on Tesco plc's stakeholder(s). <i>There are no additional marks available for application above those achieved at level 2.</i>

	<ul style="list-style-type: none"> • The share price of Tesco plc may fall as dividends/profits fall <p>Exemplar response: Tesco is a public limited company which means it has shareholders who may be affected by a rise in unemployment (AO2). They are likely to be adversely affected because it is likely sales and profits will go down as there will be less spending in the economy which may mean lower dividends and possibly a lower share price (AO3a).</p> <p>Customers may also be adversely affected because they will have less money to spend on their shopping (AO2). This could mean that they have to buy cheaper goods from Tesco, such as the basics range of food (AO2) which may not be as nice to eat and reduce their happiness (AO3a).</p> <p>The customers are likely to face a bigger impact from a rise in unemployment than the shareholders, because having to buy lower quality food will have a big impact on their life. However, because Tesco sells products aimed at every income level (from basic to 'finest') it is unlikely that sales will reduce by very much so the share price may not be affected (AO3b)</p>	<p>Good analysis of the impact of a rise in unemployment on Tesco plc's stakeholder(s). There is a deconstruction of relevant information and/or issues to find connections. and to provide logical chains of reasoning. (AO3a)</p> <p>Strong evaluation of the impact of a rise in unemployment on two of Tesco plc's stakeholders. A judgement is made and conclusions are drawn that are fully justified and which draw on underpinning knowledge and understanding. (AO3b)</p> <p>Level 2 (3-4 marks) (AO2 – 2 marks, AO3a – 1 mark, AO3b – 1 mark)</p> <p>Good application of the impact of a rise in unemployment on Tesco plc's stakeholder(s). There is a detailed understanding of the relevant elements of the scenario. (AO2)</p> <p>Limited analysis of the impact of a rise in unemployment on Tesco plc's stakeholder(s). There are some relevant chains of reasoning such as simple statements of cause and consequence. (AO3a)</p> <p>Limited evaluation of the impact of a rise in unemployment on two of Tesco plc's stakeholders. (AO3b)</p> <p>Level 1 (1-2 marks) (AO2 – 1 mark, AO3a – 1 mark)</p> <p>Limited application of the impact of a rise in unemployment on Tesco plc's stakeholder(s).</p>
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					<p>There is some use of the relevant elements of the scenario. (AO2 – 1 mark)</p> <p>Limited analysis of the impact of a rise in unemployment on Tesco plc's stakeholder(s).</p> <p>There are some relevant chains of reasoning such as simple statements of cause and consequence. (AO3a – 1 mark)</p> <p>No evaluation of the impact of a rise in unemployment on Tesco plc's stakeholders.</p> <p>0 marks – no response or no response worthy of credit.</p>
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Question			Answer	Mark	Guidance
17	(a)	(i)	<p>The gross profit margin is the proportion of revenue which is left after the cost of goods sold has been paid.</p> <p>Allow explanation through the use of the formula: Gross profit margin = $\frac{\text{Total revenue} - \text{cost of goods sold}}{\text{Total revenue}}$</p>	2 AO1a 2	<p>2 marks for a correct explanation of the gross profit margin.</p> <p>1 mark for a partial explanation of the gross profit margin.</p>
		(ii)	<p>Formula: Net profit = Total revenue – cost of sales - expenses Net profit was 25% of £200 000</p> $\frac{\pounds 200\,000}{100} \times 25 = \pounds 50\,000$	2 AO1a 1 AO2 1	<p>Up to 2 marks for correct answer. Award 2 marks for correct answer even if workings not shown.</p> <p>1 mark for stating formula to calculate net profit</p> <p>1 mark OFR for correct use of figures but incorrect final answer</p>
		(iii)	<p>Profitability is the ability to make profit</p> <p>Application may include:</p> <p>increase in GPM (60% in 2017 to 70% in 2018) increase in NPM (20% in 2017 to 25% in 2018)</p> <p>More profitability may lead to:</p> <ul style="list-style-type: none"> more profit for Martin and Anne more likely to obtain finance for the new café <p>Exemplar response: Profitability is the proportion of a business's revenue that is profit (AO1b). CFM's gross profitability has increased from 60% in 2017 to 70% in 2018 (AO2). This may lead to the business making more profit if they can gain enough sales at the given price (AO3).</p>	3 AO1b 1 AO2 1 AO3 1	<p>1 mark for understanding of profitability</p> <p>1 further mark for application of a change in CFM's profitability in Table 1</p> <p>1 further mark for analysis of a change in CFM's profitability in Table 1</p>

17	(b)	(i)	<p>Retained profits are the profits that are not paid out to the owners but instead kept to be reinvested in the business.</p> <p>Benefits may include:</p> <ul style="list-style-type: none"> • Quicker to finance the new café which may lead to revenue being earned more quickly • No costs for the finance which may help CFM especially as they have poor cash flow • Martin and Anne would retain full ownership of CFM and therefore keep all future profits <p>Exemplar response: Retained profits are those kept in the business not given out to Martin and Anne (AO1b). The retained profit belongs to Martin and Anne because they are the owners of CFM and they need to decide if they think that a new café is the best use of this money (AO2). If they do decide to use retained profit then it will not have any interest which will keep the costs of CFM low and help them to keep a good net profit margin (AO3a).</p>	<p>3</p> <p>AO1b 1 AO2 1 AO3a 1</p>	<p>1 mark for understanding of retained profits as a source of finance.</p> <p>1 further mark for application of CFM using retained profits to finance a new café.</p> <p>1 further mark for analysis of one benefit to CFM of using retained profits to finance a new café.</p>
		(ii)	<p>Share issue involves selling shares to investors to raise finance. The ownership of business would be split between the shareholders.</p> <p>Benefits may include:</p> <ul style="list-style-type: none"> • Could bring in a larger amount of finance • The retained profit could be used for something else • Would allow more finance to be raised from future share issues • No interest to be paid when issuing shares <p>Exemplar response: Becoming a private limited company would allow Martin and Anne to sell shares. This means that part of the business will be sold but they will gain the money from selling that part (AO1b). Since Martin and Anne are the only partners of CFM they can make the decision over whether they want to lose ownership of some of the business (AO2). If they do decide to sell shares then</p>	<p>3</p> <p>AO1b 1 AO2 1 AO3a 1</p>	<p>1 mark for understanding of using share issue as a source of finance.</p> <p>1 further mark for application of CFM using share issue to finance a new café.</p> <p>1 further mark for analysis of one benefit to CFM of using share issue to finance a new café.</p>

			they can use that money to finance the new café without having to risk any of their own money and this may make them more willing to expand (AO3a).		
		(iii)	<p>Answers can make either judgement and gain full marks.</p> <p>Exemplar of a judgement for the use of retained profits</p> <p>The most important consideration for Anne and Martin would be to keep control of their business. Therefore, they should use retained profits (1). However, the business has only been trading for two years so there may not be enough retained profits (1). So the decision depends upon whether CFM has enough retained profit to finance the new café (1)</p> <p>Exemplar of a judgement for the use of a share issue</p> <p>Anne and Martin should use a share issue because it not only provides the finance but also reduces the risk of the new café by giving them limited liability (1). However it depends if Anne and Martin are willing to lose some control of CFM by becoming a private limited company (1). Therefore Anne and Martin will need to decide if expansion is more important than control (1).</p>	3 AO3b 3	<p>1 mark for a judgement with limited justification which shows some appraisal of relevant information</p> <p>2 marks for a judgement with good justification which shows some appraisal of relevant information</p> <p>3 marks for a judgement with good justification which shows some appraisal of relevant information</p>
17	(c)	(i)	<p>$£23\ 000 - £25\ 000 = £-2000$</p> <p>£-2000 (1)</p>	1 AO2 1	<p>1 mark for correct answer.</p> <p>£ sign does not have to be given.</p>
		(ii)	<p>Answers may include:</p> <ul style="list-style-type: none"> • Fixtures and fittings • Property costs • Staff training costs • Raw materials/ingredients • Fuel for delivery service <p>Allow examples of the above cash outflows</p>	2 AO2 2	1 mark for each correct identification of a cash outflow from CFM if Anne and Martin open a new café.

		(iii)	<p>Answers may include:</p> <ul style="list-style-type: none"> • obtain short term overdraft/finance • negotiate with suppliers • make decisions over when to make purchases • make decisions over when to employ staff • make decisions over resource allocation (opening times etc..) 	1 AO2 1	1 mark for a valid statement of how a cash flow forecast could be used.
18	(a)		<p>Answers may include:</p> <ul style="list-style-type: none"> • Consistent message across many markets • Reduced risk • Centralised decision making • Reduced cost • Can use global media • Takes advantage of global social media/platforms <p><u>Exemplar response:</u> International branding is about creating a name for a business that will influence sales across more than one country (AO1a). Virgin Atlantic need to have an international brand because they sell flights around the world, not just from the UK (AO2). If more people around the world know the brand of Virgin Atlantic then this could lead to more flights being booked with Virgin, more sales and potential more profit for the business (AO3a).</p> <p>An international brand will make people more confident about buying products and services from a business (AO1b). Some people are scared of flying, so if Virgin Atlantic have an internationally recognised brand then more people are likely to have confidence that they provide a quality service (AO2). This could lead to Virgin gaining more sales than less well-known airlines and could allow Virgin to become the market leader (AO3a).</p>	6 AO1b 2 AO2 2 AO3a 2	<p>1 mark for understanding of a benefit of international branding up to a maximum of 2 marks</p> <p>1 further mark for applying a benefit of international branding to Virgin Atlantic up to a maximum of 2 marks</p> <p>1 further mark for analysis of a benefit of international branding to Virgin Atlantic up to a maximum of 2 marks</p>
	(b)		<p>Answers may include:</p> <ul style="list-style-type: none"> • To inform marketing decisions, such as number of flights need to be sold • To inform planning decisions, such as number of planes needed 	1 AO2 1	1 mark for a correct statement of a use of break-even to Virgin Atlantic

18	(c)	(i)	<p>Answers may include:</p> <ul style="list-style-type: none"> • The treatment of its employees – wages, hours, safe working conditions • The treatment of its suppliers • Choice of ethical suppliers – e.g., do suppliers pay appropriately? Not use child labour? Do not discriminate on gender, ethnicity or disability grounds? • Level of employee pay • Treatment of customers <p><u>Exemplar response:</u> A business being ethical means that it tries to follow moral guidelines in how it carries out its business operations. Being ethical would bring many advantages to Virgin Atlantic such as treating its employees well (1), which may lead to Virgin Atlantic to have more motivated staff (1) which means they could provide a better service, which means better reputation and likely more sales (1).</p>	3 AO1b 1 AO2 1 AO3a 1	<p>1 mark for understanding of ethical considerations.</p> <p>1 further mark for application of ethical considerations to Virgin Atlantic</p> <p>1 further mark for analysis of an impact of ethical considerations to Virgin Atlantic.</p>
		(ii)	<p>Answers may include:</p> <ul style="list-style-type: none"> • sustainability • waste disposal • pollution • climate change <p><u>Exemplar response:</u> Air pollution (1) could have a big impact on Virgin Atlantic. The aircraft industry, including Virgin Atlantic, are concerned about the emissions their aircraft make so newer planes are designed to be more efficient and cleaner (1). This has a major financial impact (1) as the new planes will cost a lot of money to buy.</p>	3 AO1b 1 AO2 1 AO3a 1	<p>1 mark for understanding of environment considerations.</p> <p>1 further mark for application of environment considerations to Virgin Atlantic</p> <p>1 further mark for analysis of an impact of environment considerations to Virgin Atlantic.</p>
		(iii)	<p>Answers may include:</p>	3 AO3b	1 mark for a judgement with limited justification which shows some

		<p>Answers can make either judgement and gain full marks.</p> <p>Exemplar of a judgement that ethical considerations will have the greatest impact</p> <p>Ethics are likely to have a bigger impact on Virgin Atlantic because every airline will pollute but only some will choose to be ethical (1). This will enable Virgin Atlantic to develop their international brand further which is their objective (1). However, this assumes that Virgin Atlantic is not polluting any more than any other airline (1).</p> <p>Exemplar of a judgement that environmental considerations will have the greatest impact</p> <p>The impact of environmental considerations is far more important than ethics because airlines cause so much pollution worldwide (1). The main driver for customers is price when flying, so ethics are likely to be less important (1), but if Virgin do not protect the environment then they may get fined which increases their costs and eventually prices (1).</p>		<p>appraisal of relevant information</p> <p>2 marks for a judgement with good justification which shows some appraisal of relevant information</p> <p>3 marks for a judgement with strong justification which shows some appraisal of relevant information</p>
18	(d)	<p>Answers may include:</p> <p>Good customer service can lead to:</p> <ul style="list-style-type: none"> • Builds trust and brand loyalty - customer retention is far less expensive than customer acquisition, • Repeat custom from satisfied customers can help grow profits if prices are put up • Builds brand awareness - excellent customer service improves public image, strengthens your brand and attracts new customers • Reduces customer problems, may help to keep costs down and help profits grow • It conveys strong moral values and beliefs in the company's mission – this could be a USP to attract new customers 	<p>9</p> <p>AO1a1 AO1b 1 AO2 2 AO3a 2 AO3b 3</p>	<p>Use levels of response criteria</p> <p>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p>Level 3 (7-9 marks) (AO1a & b – 2 marks, AO2 – 2 marks, AO3a – 2 marks, AO3b – 3 marks)</p> <p>Good knowledge and understanding of customer service and how it may impact VAs growth objective. (AO1a & b)</p>

		<ul style="list-style-type: none"> • It could make you stand out from your competitors • Importance in a service industry like Virgin Atlantic <p>Growth could be:</p> <ul style="list-style-type: none"> • In profits • In sales • In market share • In more locations around the world <p><u>Exemplar response:</u> An objective of growth means that the business wants to increase its ability to make sales in the future (AO1). Good customer service is making sure your customer needs are met in a ways that keep the customer happy and likely to return to the business (AO1). Virgin Atlantic has many interactions between the employees and the customers, and if they want to gain more customers and keep their current customers flying with the business then they need to make sure that all their employees, such as check-in staff and flight attendants, are being polite and helpful to their customers (AO2). Good customer service is especially important when customers are flying because it can be a stressful environment for people on airplanes and they may need to be reassured and confident in the employees they are dealing with. This will give Virgin Atlantic more chance of repeat customers, more sales and profit and this can then be used to purchase more airplanes, more flights and achieve their objective of growth (AO3a). However there has been a rise in the number of ‘no-frills’ airlines and they often cut back on customer service. By doing so they can offer cheaper flights and this has proved very popular with customers (AO2). By offering good customer service, Virgin Atlantic will have higher costs from having more employees and higher training costs. This will decrease profit and make it less likely that the business has the finance to grow in the future (AO3a). Overall good customer service is important to Virgin Atlantic when trying to</p>	<p><i>There are no additional marks available for knowledge and understanding above those achieved at Level 2.</i></p> <p>Good application of knowledge and understanding of customer service. There is an understanding of the relevant elements of the scenario. (AO2)</p> <p><i>There are no additional marks available for application above those achieved at level 2.</i></p> <p>Good analysis of customer service and its possible impact on Virgin Atlantic and its growth. There is a deconstruction of relevant information and/or issues to find connections and to provide logical chains of reasoning. (AO3a)</p> <p>Strong evaluation of the importance of good customer service to Virgin Atlantic achieving its objective of growth. A judgement is made and conclusions are drawn that are fully justified and which draw on underpinning knowledge and understanding. (AO3b)</p> <p>Level 2 (4-6 marks) (AO1 a&b – 2 marks, AO2 – 2 mark, AO3a – 1 mark, AO3b – 1 mark)</p> <p>Good knowledge and understanding of customer service and how it may impact VAs growth objective. (AO1a & b)</p>
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		<p>achieve their objective of growth because growth requires repeat customers. However it depends on the market that Virgin Atlantic is targeting. If, to enable growth, Virgin Atlantic needs to compete against the 'no-frills' airlines then they may need to reduce their costs which may have an impact on customer service. However if they can grow by only targeting the less price-conscious customers then they can continue to offer good customer service (AO3b)</p>	<p>Good application of knowledge and understanding of customer service. There is an understanding of the relevant elements of the scenario. (AO2)</p> <p>Limited analysis of customer service and its possible impact on Virgin Atlantic. There are some relevant chains of reasoning such as simple statements of cause and consequence. (AO3a)</p> <p>Limited evaluation of the importance of good customer service against other factors in Virgin Atlantic achieving its objective of growth. (AO3b)</p> <p>Level 1 (1-3 marks) (AO1 – 1 mark, AO2 – 1 mark, AO3a – 1 mark)</p> <p>Limited knowledge and/or understanding of customer service (AO1a or b)</p> <p>Limited application of knowledge and understanding of customer service. There is some use of the relevant elements of the scenario. (AO2 – 1 mark)</p> <p>Limited analysis of the importance of customer service. There are some relevant chains of reasoning such as simple statements of cause and consequence. (AO3a – 1 mark)</p> <p>No evaluation of the importance of good</p>
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					customer service to Virgin Atlantic achieving its objective of growth. 0 marks – no response or no response worthy of credit.
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