

1 A customer has bought a laptop from a computer shop.

By law, the computer shop must:

- A match the price charged by a local competitor
- B offer to upgrade the laptop for no extra charge
- C provide virus protection to keep the customer's files safe
- D supply a laptop of satisfactory quality

Your answer

☐

[1]

2 Customer engagement:

- A allows customers to try before they buy
- B contributes to good customer service
- C improves the product knowledge of employees
- D shortens the supply chain

Your answer

☐

[1]

3 Performance data for Pallin Ltd for the last five years of trading is shown below.

	2017	2018	2019	2020	2021
Profit	£15000	£0	−£9000	£17000	−£3000

Pallin Ltd's average level of profit over the last five years is:

- A £4000 per year
- B £5000 per year
- C £6400 per year
- D £8000 per year

Your answer

☐

[1]

- 4 A perfume shop has a gross profit margin of 50%.

This means:

- A for every £10 of sales, it makes £5 profit after all costs have been paid
- B the perfume shop's variable costs are exactly half of its fixed costs
- C the shop charges customers double what it pays when buying the perfume
- D to make £10 of profit, it needs to sell £50 of perfume

Your answer

☐

[1]

- 5 QT Homeware Ltd manufactures small kitchen appliances. The company has recently received a number of emails complaining that its kettles leak.

Which of the following actions would help QT Homeware Ltd deal with this problem?

- A Include a cloth to wipe up any leaks in the box of all new kettles
- B Launch a promotional campaign in a housekeeping magazine
- C Meet with production workers to discuss how to reduce costs
- D Physically test every hundredth kettle to ensure it is watertight

Your answer

☐

[1]

- 6 A drum kit manufacturer plans to make 500 drum kits this year. Estimated costs are as follows:

- raw materials £40 per drum kit
- rent £600 per month
- heating and lighting £900 per quarter
- other expenses £56 000 per annum

The manufacturer's estimated total cost for the year is:

- A £66 840
- B £77 500
- C £85 900
- D £86 800

Your answer

☐

[1]

7 Which of the following is **not** a disadvantage of automation?

- A Expensive to buy, so will need to find a way of raising finance
- B Machines can break down, disrupting production
- C Operatives may need additional training, increasing business costs
- D The machinery can be reprogrammed, making production more flexible

Your answer

☐

[1]

8 An extract from Marble & Sons cash flow forecast for September is shown below.

	September
Net cash flow	– £2600
Opening balance	
Closing balance	– £7300

Marble & Sons' opening balance for September is expected to be:

- A –£9900
- B –£4700
- C £4700
- D £9900

Your answer

☐

[1]

9 Which one of the following is the **most** likely reason for a greeting card manufacturer to locate its factory on an out-of-town industrial estate?

- A Council incentives offering reduced business rates
- B Greeting cards are destroyed if they get wet during transportation
- C Lots of people who work on the industrial estate will buy cards
- D The need to be close to the market because customers are unwilling to travel

Your answer

☐

[1]

10 Which of the following would be a variable cost for a restaurant?

- A Advertising fees
- B Buildings insurance
- C Chef's salary
- D Fruit and vegetables

Your answer

☐

[1]

11 Amaya is a gardener. She charges £15 per hour. Her fixed costs are £18 000 per annum. Her variable costs are £2 per hour.

How many hours of gardening will Amaya need to do to start to make a profit?

- A 1059
- B 1385
- C 2340
- D 3060

Your answer

☐

[1]

12 Which of the following is a benefit to a public limited company of using a share issue to raise finance?

- A Dividends will need to be paid
- B New skills will be brought into the company
- C No interest will be paid
- D Repayments will be spread over a long period of time

Your answer

☐

[1]

13 The impact of risk taken by a business:

- A affects all business functions
- B affects all business stakeholders equally
- C only affects the finance function
- D only affects the owners of the business

Your answer

☐

[1]

- 14 The marketing function of a well-known action toy manufacturer is about to launch a major advertising campaign.

This advertising campaign will affect the operations function of the business because:

- A job production will need to be used to speed up production
- B market research into which toy figures are most popular will be required
- C more sets of action toy figures will need to be produced
- D vacancies for action toy designers will need to be advertised

Your answer

☐

[1]

- 15 Kareem is an entrepreneur. He makes hand-made shoes for newborn babies. Data for his first four years of trading is shown below.

	Year 1	Year 2	Year 3	Year 4
Number of pairs sold	104	1040	820	1860
Revenue	£2080	£20 800	£16 400	£46 500
Profit	– £24 000	£2000	– £1800	£26 000

According to the data, which of the following is true?

- A Costs have been greater than revenue in all four years
- B In Year 2, Kareem reduced the average selling price of the shoes
- C In Year 4, Kareem increased the average selling price of the shoes
- D Revenue has increased year on year

Your answer

☐

[1]

16(a)

Text 1

BP plc

BP plc is a UK energy company, which has its headquarters in London. BP produces oil, gas and petrol. It sells and distributes these products to customers all over the world. It also produces some environmentally friendly energy including biofuels, as well as wind- and solar-powered electrical energy.

The company's finance function is critical in ensuring the business is managed efficiently. BP plc's revenue increased from \$245 billion in 2017 to \$283 billion in 2019.

One of BP's operations involves selling of petrol to the public. BP has 18 700 petrol stations around the globe, with 8500 in the UK. Another of BP's operations involves extracting oil, using its oil rigs. These are located in the seas around the UK, Norway, Australia, Angola, the Gulf of Mexico (USA) and off the coast of many other countries. Once the oil is extracted it is then transported to refineries.

BP strives to be more sustainable. BP has the aim of cutting its carbon emissions by 2050 to help reduce the effects of climate change. It is installing electric charge points for Police Scotland's electric vehicles and is developing wind farms in America in partnership with an American company.

Identify **two** possible advantages to a business of being environmentally friendly.

1 _____

2 _____

[2]

(b) Explain **one** way climate change might affect business activity.

[2]

[3]

i. Calculate the percentage change in BP's revenue between 2017 and 2019.

Show your workings

Answer%

1 _____

2 _____

(e)

i. Identify **two** reasons why a UK business might choose to locate in another country.

[2]

ii. Evaluate how globalisation has influenced where BP locates its businesses.

Handwriting practice lines consisting of 20 horizontal dashed lines.

[7]

17(a)

Text 2

Quality Textiles (QT)

Quality Textiles Ltd (QT) is a medium-sized, established business that manufactures clothes from its factory in Birmingham. Its clothes are sold to retail shops around the country. A summary of its profitability is shown in Table 1.

	This year	Last year	Two years ago
Gross Profit Margin	65%	60%	57%
Net Profit Margin	27%	25%	23%

Table 1

QT wants to expand the business by using a bank loan to buy a large van to help with deliveries. It will use average rate of return (ARR) to assess which model of van it will buy. Further information is provided in Table 2, below. The new van will mean employing a driver, in addition to the five drivers already working for the business.

	Standard Van	Superior Van
Price	£40 000	£50 000
Total net profit for the life of the van	£60 000	£70 000
Estimated life	3 years	4 years
ARR	?	35%

Table 2

QT's cash flow forecast suggests it may struggle to pay the monthly van loan repayment.

QT's closing bank balance for the last five months is shown in Fig. 1.

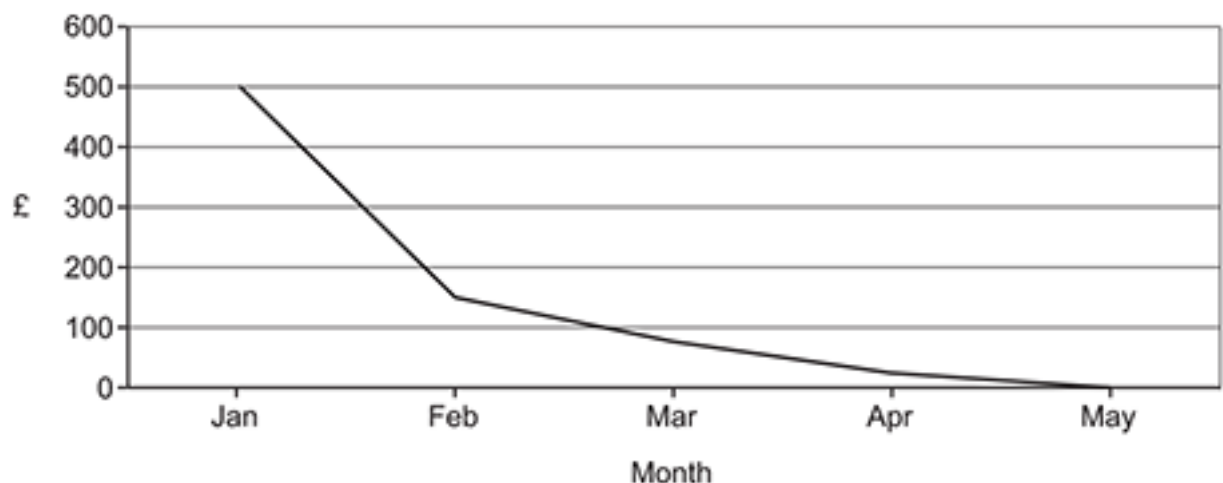


Fig. 1.

QT had problems earlier in the year. It found its way into the local newspaper as part of an investigation into ethical practices in its business activities and supply chain.

Identify **one** method of selling products to customers.

[1]

(b)

i. Identify **two** ethical considerations for a business.

1 -----

2 -----

[2]

ii. Explain **one** reason why a business should act ethically.

[2]

(c)

- i. Calculate the average rate of return (ARR) for the Standard Van by using the information in Table 2.

Show your workings

Answer%

[3]

- ii. Analyse **one** reason why QT should buy the Standard Van. Refer to **Table 2** in your answer.

[3]

(d)

- i. Analyse QT's cash position considering its current expansion plans.

----- [3]

ii. Analyse QT’s profit position considering its current expansion plans.

----- [3]

iii. Recommend whether QT’s cash position or profit position will have the biggest impact on its expansion plans.

----- [3]

18 Identify **one** economic factor which may affect a company's profit.

[1]

END OF QUESTION PAPER


Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
1			D	1 (AO2)	
			Total	1	
2			B	1 (AO1a)	
			Total	1	
3			A	1 (AO2)	
			Total	1	
4			C	1 (AO2)	<u>Examiner's Comments</u> This was, the least well answered question in Section A. Few candidates identified the correct answer. A appeared to be the most common wrong answer, probably as £5 is 50% of £10.
			Total	1	
5			D	1 (AO2 (PS))	
			Total	1	
6			D	1 (AO2)	
			Total	1	
7			D	1(AO1b)	
			Total	1	
8			B	1 (AO2)	
			Total	1	
9			A	1 (AO2)	
			Total	1	
10			D	1 (AO2)	
			Total	1	
11			B	1 (AO2)	
			Total	1	



Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
12			C	1 (AO1b)	<p><u>Examiner's Comments</u></p> <p>Some candidates identified the correct answer as C. This was one of the synoptic questions in Paper 2 which requires candidates to link their knowledge and understanding of topics from both papers.</p>
			Total	1	
13			A	1 (AO1a)	
			Total	1	
14			C	1 (AO2)	<p><u>Examiner's Comments</u></p> <p>Answered correctly by some candidates. Although there is reference to marketing and advertising in the question (which may explain why B was a popular wrong answer), it is the impact on the operations function that is required. Section 7 of the specification requires candidates to appreciate the interdependent nature of business operations.</p>
			Total	1	
15			C	1 (AO2)	
			Total	1	





Mark Scheme

Question		Answer/Indicative content	Marks	Guidance
16	a	<p>Identify two possible advantages to a business of being environmentally friendly.</p> <p>Understanding may include:</p> <ul style="list-style-type: none"> 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 <p>ARA</p>	<p>2 (AO1b) 2</p>	<p>One mark for each advantage <u>to a business</u> of being environmentally friendly. </p> <p>NB: No reward for advantages which are not for a business (e.g. reduced emissions, climate change, reduced carbon footprint).</p> <p><i>Answers do not need to relate to BP.</i></p> <p><u>Examiner's Comments</u></p> <p>Most candidates scored 1 or 2 marks, with most selecting increased reputation and increased sales as their responses.</p> <p>Less successful responses ignored the phrase 'to a business' in the question and gave responses about consumer behaviour or the advantages for climate change.</p>


Mark Scheme

Question		Answer/Indicative content	Marks	Guidance
	b	<p>Explain one way climate change might affect business activity. Answers may include:</p> <ul style="list-style-type: none"> 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 <p>Exemplar Response: May wish to switch to renewable energy (1) to reduce the potential for pollution fines (1).</p> <p style="text-align: right;">ARA</p>	<p>2 (AO1a)</p> <p>1 (AO1b)</p> <p>1</p>	<p>One mark for knowledge of a way climate change affects business activity. </p> <p>One mark for a further exemplification of that way. </p> <p><i>Answers do not need to relate to BP.</i></p> <p>No reward for the effect of climate change on other stakeholders</p> <p>No reward for the impact of policies in response to climate change</p> <p>No reward for answers which only consider the impact of 'bad weather'</p> <p><u>Examiner's Comments</u></p> <p>This was one of the least well answered question on the paper, with many candidates scoring zero. Many candidates did not know what was meant by climate change, with references to 'poor weather' or 'oceans freezing over'. More significantly, few candidates identified how the business would respond to climate change, i.e., the change it would make, rather than how it would be affected. This led to responses which described things, such as 'not being able to produce as much solar power' or 'ice creams selling well and coats not'. Other responses considered the implication for the planet, rather than the business.</p>




Mark Scheme

Question	Answer/Indicative content	Marks	Guidance
c	<p>Analyse how BP's finance function may influence its ability to meet BP's objectives.</p> <p>Understanding may include:</p> <ul style="list-style-type: none"> • Informs the business as to how much money a business may have for investment/expansion. Includes: <ul style="list-style-type: none"> ◦ Budgeting ◦ Financial forecasts ◦ Cash-flow forecasts ◦ <u>Calculates</u> revenue, costs, profit ◦ Informing spending or investment decisions <p>Application may include:</p> <ul style="list-style-type: none"> • 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 <p>Analysis may include:</p> <ul style="list-style-type: none"> • 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 <p>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).</p> <p style="text-align: right;">ARA</p>	<p>3 (AO1b)</p> <p>1 (AO2 1) (AO3a)</p> <p>1</p>	<p>One mark for understanding of the finance function. </p> <p><i>No further marks can be gained without understanding.</i></p> <p>One <u>further</u> mark for application of understanding to BP, using evidence from the text. </p> <p>One <u>further</u> mark for analysis of how the finance function affects objectives. </p> <p>An answer must say more than "the finance function is about finance" to gain the understanding mark (tautological)</p> <p><u>Examiner's Comments</u></p> <p>This was the first of the 3 mark analyse questions which requires understanding to be shown before any further marks can be accessed. The majority of candidates gained no marks, as they did not identify what the finance function of a business involved. Many responses referred generally to 'managing the business efficiently' or gave the finance function credit for activities they would not undertake, such as ways of increasing revenue or deciding what to spend money on.</p> <div style="display: flex; align-items: center;">  <p>Assessment for learning</p> </div> <p>In all questions requiring analysis, candidates must be able to show explicit understanding of the key term in the question. In this case, what does the finance function of a business carry out? Without this explicit understanding no marks can be given. Candidates also need to use words other than those in the question to show understanding.</p>

Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
	d	i	<p>Calculate the percentage change in BP plc's revenue between 2017 and 2019.</p> <p>$\\$283\text{bn} - \\$245\text{bn} = \\$38\text{bn}$ (1)</p> <p>$\\$38\text{bn} \div \\$245\text{bn} \times 100 = \underline{15.5\%}$ (1) [OFR]</p>	<p>2 (AO2 2)</p>	<p>Two marks for correct answer (with or without workings). </p> <p>One mark for evidence of calculating the change in revenue (\$38bn) with or without units.</p> <p>% sign not required as it is printed on the paper.</p> <p>Accept 15% or 16% as a correct answer (as long as workings are shown).</p> <p>Evidence that the wrong number has been used as the denominator to give an answer of 13.4% is 1 mark (OFR)</p> <p>An answer of 115.5% (with workings) is 1 mark</p> <p><u>Examiner's Comments</u></p> <p>Most candidates did well on this first calculation, with many scoring full marks. A few more may have gained 1 mark if they had shown their workings more clearly. The most common wrong answer was 13.4% when the wrong number was used as the denominator. If the working was clear this still gained 1 mark, for the correct calculation of £38bn.</p>


Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
		ii	<p>Identify two factors that can affect a company's revenue.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • 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 <p style="text-align: right;">ARA</p>	<p>2 (AO1a) 2</p>	<p>One mark for each of two correct factors affecting revenue. </p> <p><i>Answers do not need to relate to BP.</i></p> <p>No reward for answers about costs or production levels</p> <p>Accept answers which will cause a change in demand (e.g., company reputation, customer service, promotion etc.)</p> <p><u>Examiner's Comments</u></p> <p>Some candidates scored both marks on this question. Confusion between costs and revenue meant some candidates did not gain marks on this question. Revenue is ultimately price multiplied by quantity sold, so any factor affecting either of these two variables was accepted. A few responses also appeared to show confusion between revenue and profit.</p> <div style="text-align: center;">  <p>Misconception</p> </div> <p>Candidates need to know the difference between price and cost. This is a growing issue due to the frequency with which non-specialists (particularly in the media) interchange the two terms quite freely.</p>
	e	i	<p>Identify two reasons why a UK business might choose to locate in another country.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • 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 <p style="text-align: right;">ARA</p>	<p>2 (AO1a) 2</p>	<p>One mark for each of two correct benefits of locating in another country. </p> <p><i>Answers do not need to relate to BP.</i></p> <p>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'.</p> <p><u>Examiner's Comments</u></p> <p>Many responses considered location to be more of a marketing concern rather than an operations issue. This led to responses linked to increases in customers and market share, which could be achieved regardless of location.</p>



Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
		ii	<p>Evaluate how globalisation has influenced where BP locates its businesses.</p> <p>Application may include:</p> <ul style="list-style-type: none"> • 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. <p>Analysis may include:</p> <ul style="list-style-type: none"> • 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. <p>Evaluation may include:</p> <ul style="list-style-type: none"> • 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). <p>Exemplar response:</p> <p>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).</p> <p>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).</p>	<p>7 (AO2)</p> <p>2 (AO3a)</p> <p>2 (AO3b)</p> <p>3</p>	<p>Use the level of response marking grid to assess skill levels.</p> <p>Annotate as: Up to two marks for application to BP APP</p> <p>Up to two marks for analysis AN</p> <p>Up to three marks for evaluation EVAL</p> <p>NB: Context must be <u>used</u> to be awarded as application.</p> <p>Analysis must be a business-facing impact.</p> <p>For strong evaluation, i.e., the full three marks, the evaluation must be contextual.</p> <p>Answers need to be focused on <u>the influence on location</u> as opposed to the influence on the business of globalisation generally</p> <p>Examiner's Comments</p> <p>Many candidates knew what globalisation was but often wasted time setting out, at length, a definition of it. (A reminder that there are no knowledge or understanding marks in this question). However, a few candidates did not know about the concept. This often led to responses which were more about the pros and cons of international trade for a business.</p> <p>Often, candidates made comments without fully using the context. For example, many wrote about the petrol stations and oil drilling but did not link them with globalisation. This meant that examiners were often able to award application marks but not the analysis marks. Few candidates attempted to evaluate and those who did often interpreted the question as 'is globalisation important to BP', rather than how it has influenced BP. In addition, some attempts at evaluation were just a repetition of previous analysis and therefore were not awarded.</p> <p>The most successful responses made use of the material (location/profits, etc.) linked it to analysis (lower costs or greater</p>

Mark Scheme

Question			Answer/Indicative content				Marks	Guidance
			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).					access to raw materials etc) and made a straightforward evaluation. Exemplar 1 is a full mark response.
			ARA					Exemplar 1
				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]		This response clearly sets out two points. First, the increased proximity to raw materials and easy access by locating in Norway, Australia, and Angola. Second, how having 10,200 petrol stations worldwide means that BP can increase sales. In each case, 1 analysis and 1 application mark is given. The 3 evaluation marks were given in the final paragraph. Globalisation has influenced BP's location (1 mark), and this is justified by using the context (2 more marks).
			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]		
			Total				20	

Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
17	a		<p>Identify one method of selling products to customers.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • E-commerce/online/websites/digitally • Shops/retail • Face to face • Telesales • Mail order/catalogues <p style="text-align: right;">ARA</p>	<p>1 (AO1a) 1</p>	<p>One mark for a correct method. </p> <p><u>Examiner's Comments</u></p> <p>Most candidates gained this mark, although some referred to promotional methods or pricing strategies, such as price skimming or penetration.</p>
	b	i	<p>Identify two ethical considerations for a business.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • 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). <p>ARA</p>	<p>2 (AO1a) 2</p>	<p>One mark for each of two correct considerations. </p> <p><i>Answers do not need to relate to QT.</i></p> <p>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).</p> <p><u>Examiner's Comments</u></p> <p>Most candidates scored 1 or 2 marks. However, a significant minority did not know what was meant by an ethical consideration. Some listed issues which are a legal requirement, such as minimum wage or discrimination. Others listed environmental issues, even though these had been asked about in Question 16.</p> <p>Ethics is about what is fair or is over and above what is legally required.</p>

Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
		ii	<p>Explain one reason why a business should act ethically</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • 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 <p>Exemplar response: Improves the company's reputation (1) which leads to customers who are concerned about ethics wanting to buy the product (1).</p> <p style="text-align: right;">ARA</p>	<p>2 (AO1a)</p> <p>1 (AO1b)</p> <p>1</p>	<p>One mark for knowledge of a reason why a business may act ethically. ✓</p> <p>One mark for a further exemplification of that way. ✓</p> <p><i>Answers do not need to relate to QT.</i></p> <p>No reward for suggesting it helps them to avoid breaking the law or being fined.</p> <p><u>Examiner's Comments</u></p> <p>Even candidates who were unable to correctly identify an ethical consideration were at least able to explain why it was important to be ethical. The most common responses focused on it being about a firm's marketing, so that it appeared to act in a 'good' way so it was able to attract customers or employees more easily.</p>




Mark Scheme

Question			Answer/Indicative content	Marks	Guidance						
	c	i	<p>Calculate the average rate of return (ARR) for the Standard Van by using the information in Table 2. Show your workings.</p> <table border="1"><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> <p>£60,000 ÷ 3 = £20,000 (1)</p> <p>(£20,000 ÷ £40,000) × 100 (1) [OFR]</p> <p>= <u>50%</u> (1) [OFR]</p>	Cost of Van	£40 000	Total net profit for the life of the van	£60 000	Estimated life	3 years	3 (AO2) 3	<p>Up to three marks for correct answer (with or without workings). </p> <p>One mark for average yearly profit (£20,000)</p> <p>One mark for dividing yearly profit by cost of investment (OFR)</p> <p>% sign not required as it is printed on the paper.</p> <p>Examiner's Comments</p> <p>As the more demanding of the two calculations in Section B, this was generally well answered by candidates. Most candidates either scored 3 marks for a well set out correct answer or scored 0 (often by omitting the question). Where answers were wrong this tended to be due to poor knowledge of the formula and/or an inability to select data from the correct table.</p> <p> OCR support</p> <p>Support is available with teaching the finance topics, such as <u>ARR and break-even</u>.</p>
Cost of Van	£40 000										
Total net profit for the life of the van	£60 000										
Estimated life	3 years										
		ii	<p>Analyse one reason why QT should buy the Standard Van. Refer to Table 2 in your answer</p> <p>Understanding may include:</p> <ul style="list-style-type: none">• It is cheaper• Growth/expansion• Higher ARR/ return on investment / profit• Meets objectives <p>Application may include:</p> <ul style="list-style-type: none">• 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	<p>One mark for understanding a reason for buying the Standard van. </p> <p><i>No further marks can be gained without understanding.</i></p> <p>One <u>further</u> mark for application of understanding to QT, <u>using Table 2</u>. </p> <p>One <u>further</u> mark for analysis of benefit of buying the Standard van. </p> <p>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 is £10,000 less than the Superior Van” gains both the understanding <u>and</u> application marks.</p> <p>Examiner's Comments</p> <p>The majority of candidates scored 2 or 3 marks. Most candidates scored 2 marks by stating that the standard van was</p>						




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	<p>Analysis may include:</p> <ul style="list-style-type: none"> • 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 <p>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).</p> <p style="text-align: right;">ARA</p>		<p>£10,000 cheaper or had a higher ARR of 50% compared to 35%. However, it was often the case that analysis was weak as to how this would impact the business.</p> <p>A common reason for poor marks on this question was not using the data from the table that was referred to in the question. Another common error was for candidates to focus on whether to buy a van. Even though the decision had already been taken to buy another van, some candidates wasted time suggesting a new van should not be bought.</p> <p>Exemplar 2</p> <p><i>It is the cheaper van and still has an estimated life of only one year less than the superior van. In the case study, it states 'cash flow forecast suggests it may struggle to pay the monthly van loan repayments', therefore QT is less likely to damage their cash flow with the cheaper ^{standard} van one and will still get the job done with less chance of liquidity problems.</i></p> <p>This appears to be a good response which could be awarded 3 marks. However, although the response is sensible, it has ignored the instruction to use Table 2 (ARR, price and net profit). The application in the response comes from Fig.1 (cash flow). Although the marks for understanding ("it is cheaper") and analysis ("less likely to damage cash flow") were awarded, no mark could be given for application.</p>





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	d	i	<p>Analyse QT's cash position considering its current expansion plans.</p> <p>Understanding may include:</p> <ul style="list-style-type: none"> • 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. <p>Application may include:</p> <ul style="list-style-type: none"> • 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 <p>Analysis may include:</p> <ul style="list-style-type: none"> • It will struggle to pay day to day debts • 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. <p>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).</p> <p style="text-align: right;">ARA</p>	<p>3 (AO1b)</p> <p>1 (AO2)</p> <p>1 (AO3a)</p> <p>1</p>	<p>One mark for understanding cash <u>or</u> cash position. </p> <p><i>No further marks can be gained without understanding.</i></p> <p>One <u>further</u> mark for application of understanding QT's cash position. </p> <p>One <u>further</u> mark for analysis of an impact on a business that is expanding. </p> <p>If using Fig. 1 to gain the APP mark, answers must reference the <u>changes</u> in cash flow.</p>


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Question	Answer/Indicative content	Marks	Guidance
	<p>ii</p> <p>Analyse QT's profit position considering its current expansion plans.</p> <p>Understanding may include:</p> <ul style="list-style-type: none"> Profit is calculated by subtracting total costs from total revenues Shown by profit <u>margins</u> <p>Application may include:</p> <ul style="list-style-type: none"> Gross profit margin has increased (from 57% to 65%) Net profit margin has increased (from 23% to 27%) <p>Analysis may include:</p> <ul style="list-style-type: none"> 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 <p>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 the last 3 years from 57% to 65% (APP). This may encourage investors as they may get a good return on investment (1).</p> <p style="text-align: right;">ARA</p>	<p>3 (AO1b)</p> <p>1 (AO2)</p> <p>1 (AO3a)</p> <p>1</p>	<p>One mark for understanding profit <u>or</u> profit position. </p> <p><i>No further marks can be gained without understanding.</i></p> <p>One <u>further</u> mark for application of understanding QT's profit position. </p> <p>One <u>further</u> mark for analysis of an impact on a business that is expanding. </p> <p>If using Table 1 to gain the APP mark, answers <u>must reference the changes</u> in profit margin(s).</p>



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		iii	<p>Recommend whether QT's cash position or profit position will have the biggest impact on its expansion plans.</p> <p>A full answer needs a justified judgement based on the context.</p> <p>Further analysis of the two concepts should not be rewarded but can form part of a candidate's justification.</p> <p>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).</p> <p style="text-align: right;">ARA</p>	3 (AO3b) 3	<p>One mark for a basic judgement whether cash or profit will have the greatest impact. </p> <p><u>Plus</u></p> <p>Two further marks for justification of whether cash or profit will have the greatest impact with use of context.  </p> <p><u>or</u></p> <p>One further mark for justification of whether cash or profit will have the greatest impact with no use of context. </p> <p><u>Examiner's Comments</u></p> <p>The three questions making up Question 17 (d) assessed the important distinction between cash and profit. Question 17 (d) (ii) about profit was the least well answered of the three parts.</p> <p>There were some very strong responses which made excellent use of the context available and considered how the profit or cash position of the business would significantly affect QT's expansion plans. In particular, QT's closing balance of 0 may cause liquidity problems and increasing profit margins may encourage external investment to pay for the expansion. However, some responses did not manage to gain the analysis mark, as they did not link back to the expansion plans which were the focus of the question.</p> <p>Less successful responses often contained general points about QT's financial situation and, although context was provided, no understanding was first shown. Candidates did not show sufficient understanding of cash or profit. This could be demonstrated by making references to cash flow or profit margins, respectively. (Clearly, candidates needed to use language that was more than just 'cash' or 'profit'.)</p> <p>The last question part discriminated particularly well, despite only being worth 3 marks. Some candidates could not reach a decision, even in the light of being led to this question by the preceding two. Others wrote a few short sentences that neatly encapsulated the position, and it was</p>

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					<p>pleasing to be able to award full marks to so many good responses.</p> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Assessment for learning</p> <p>Candidates need to use specific terminology when referring to financial planning documents. Many candidates do not appear to understand the difference between profit and profitability/margins. Simply using the word 'profit' without understanding what this means (and how it is different from cash) will not help candidates to gain the understanding mark (and hence no other marks) in finance-based questions.</p> </div> </div>
			Total	20	

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Question			Answer/Indicative content	Marks	Guidance
18			<p>Identify one economic factor which may affect a company's profit.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Income/wage of consumers • (Un)employment levels • Economic growth / GDP / state of the economy • Inflation <p style="text-align: right;">ARA</p>	<p>1 (AO1a) 1</p>	<p>One mark for a correct economic factor. </p> <p>Accept any valid economic factor (but NOT a legal or political factor)</p> <p>The 'economic climate' is TV</p> <p>Costs/rents or prices are not 'economic factors'</p> <p><u>Examiner's Comments</u></p> <p>Some candidates were able to correctly identify an economic factor. Wrong responses ranged from climate change and deforestation to costs of raw materials. Any recognised economic factor was accepted, in addition to the two listed in the specification.</p> <div style="display: flex; align-items: center;">  <p>Misconception</p> </div> <p>Confusion across Questions 16 (a), 17 (b) and 18 (a) proves that candidates need to have a better understanding of the very clear differences between environmental, ethical, and economic issues. This distinction is set out in Section 6 of the specification.</p>
			Total	1	