GCSE
BUSINESS
8132/2

Paper 2 Influences of marketing and finance on business activity

Mark scheme

June 2021

Version: 1.0 Final Mark Scheme

2 1 6 G 8 1 3 2 / 2 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

The own figure rule

General principle: The own figure rule is designed to ensure that students are only penalised once for a particular error at the point at which that error is made and suffer no further penalty as consequence of the error. Where the own figure rule is to be applied in a mark scheme, the symbol OF is used.

Section A

Total for this section: 20 marks

Multiple Choice Questions

Question number	Answer	
1.1	C	Sales promotion
1.2	A	Economic
1.3	C	Market share
1.4	D	Non-current liabilities
1.5	C	Furniture maker
1.6	C	The average profit for the year as a percentage of the original investment.

01.1 – 01.6 = AO1 × 6 **[1 mark for each correct answer]**

1.7	Identify **two** channels of distribution used by businesses. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a channel of distribution × 2.

Answers may include:
- retailer
- wholesaler
- telesales
- E-commerce.

1.8	Explain **one** factor that would influence the selection of the promotional mix. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a factor that influences the selection of the promotional mix.
1 mark for explaining how the factor influences the selection of the promotional mix, or giving an example.

Answers may include:
- finance available
- competitor actions
- the nature of the product or service
- the nature of the market
- target market.

Examples of developed answers
A business that has a young target market (1) will need to choose methods of promotion that will appeal to their customers, for example social media (1).

The nature of the market will influence the method of promotion (1). For example, food companies use point of sale displays to make their products stand out in a supermarket (1).

1.9	Explain **one** reason why it is important for a business to identify customer needs. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a reason.
1 mark for explaining why this is important.

Possible answers may include:
- to provide a product or service that customers will buy
- to increase sales
- to select the correct marketing mix
- to avoid costly mistakes
- to be competitive.

Examples of a developed answer
To prevent a business from producing goods that customers do not want (1) and save valuable resources (1).

This can allow a business to become more competitive (1) as it can develop goods that offer better value for money than its rivals (1).

1.10	All businesses must follow the law. Explain **one** negative impact for a business if it fails to follow the law. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a negative impact
1 mark for explaining how this will negatively impact a business

Possible answers may include:
- fines
- loss of reputation
- loss of current staff
- loss of potential staff
- loss of customers
- down time
- loss of productivity.

Examples of a developed answer
Failure to pay employees the National Minimum Wage will result in the business being made to pay a fine (1) which would reduce profit (1).

Loss of reputation (1) which would discourage customers from returning (1).

1.11	Since the data in **Table 1** was produced, the value of inventories has decreased by 20%. The value of all other assets has stayed the same. Calculate the new **total assets** figure. **[2 marks]**

Marks for this question: AO2 – 2 marks

£530 000 (2)

Method
Decrease in inventories value £70 000 × 0.20 = £14 000 (1)
New total assets £544 000 – £14 000 = £530 000 OFR (1)

1.12	State and explain **two** categories of the Boston Matrix. **[4 marks]**

Marks for this question: AO1 – 4 marks

1 mark for identifying a category of the Boston Matrix and 1 mark for explaining a feature × 2.

Answers may include:
- dog
- cash cow
- star
- question mark/problem child.

Examples of a developed answer
A question mark (1) is a product that has a lot of potential but will need investment to grow (1).

A dog (1) is a product that has a low market share in a low-growth market (1).

Section B

Total for this section: 35 marks

2.1	Identify **two** stakeholders of a business. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for each correct stakeholder identified × 2

Answers may include:
- owners/shareholders
- employees
- customers
- local community
- suppliers
- Government.

2.2	Using **Item A**, explain **one** disadvantage to Ellie of using money borrowed from her parents to set up Swiftly Services. **[4 marks]**

Marks for this question: AO1 – 2 marks AO2 – 2 marks

Level	Marks	Description
2	**3–4**	**Sound understanding and application of the topics** • Applies knowledge and understanding to the context sufficiently. • A sound understanding of one or more business concepts and issues.
1	**1–2**	**Basic understanding and application of the topics** • Applies basic knowledge and understanding to the context. • A basic understanding of one or more business concepts.
0	**0**	Nothing written worthy of credit.

Answers may include:
- **Irregular payments** - Ellie's parents have now demanded a payment of £1000 per month
- **Difficult to plan** - no formal terms agreed with parents
- **Loss of decision making** - parents are trying to make decisions about the business. Ellie wanted to be her own boss.

Example of Level 2 developed answer

One disadvantage of Ellie borrowing money from parents is that they now want more influence over decision making. They are concerned about her ability to repay the money she borrowed from them and have told Ellie to start offering gardening services. As there is a less formal process in borrowing money Ellie may have to accept her parents help in decision making, which goes against her original objective of being her own boss.

2.3	Using **Table 2**, calculate the closing balance for May on the cash flow forecast. State the formula for the closing balance and show your workings. **[3 marks]**

Marks for this question: AO1 – 1 mark AO2 – 2 marks

1 mark for correct identification of closing balance formula.
2 marks for calculation.

Answer = £1750 (2)

Closing balance = Net cash flow + Opening balance (1)

OR

Closing balance = (Inflows – Outflows) + Opening balance (1)

Method
Net cash flow = £3300 – £1450 = £1850 (1)
Closing balance = £1850 + (£100) = £1750 OFR (1)

Alternative method
(£100) + £3300 = £3200 (1)
£3200 – £1450 = £1750 (1)

2.4	Ellie is considering offering gardening services in June, July and August. Recommend whether offering gardening services will improve the long-term future cash flow at Swiftly Services. Give reasons for your recommendation. **[9 marks]**

Marks for this question: AO2 – 3 marks AO3 – 6 marks

Level	Marks	Description
3	**7–9**	**Detailed analysis and evaluation of topics based on the context** • Sustained line of reasoning, which is coherent, relevant, substantiated with a focused conclusion that is fully justified. • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**4–6**	**Sound analysis and evaluation of topics based on the context** • A line of reasoning, with a conclusion that has some justification. • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1–3**	**Basic analysis and evaluation of topics based on the context** • Basic line of reasoning with a conclusion. • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Indicative content:

Application	Analysis
Gardening services are predicted to increase cash inflows by £1000 per month during the summer.	The gardening services would generate an additional £3000 in cash from June to August. Ellie's parents are worried about getting the money back that they lent her, and this additional cash inflow will allow Ellie to comfortably repay the £1000 per month they want. Her inflows from providing home services have been increasing but at a slow rate. If Ellie's gardening customers are happy with her work, they may hire her every year during the summer months and this will improve the long-term cash flow situation for Ellie.
Cash outflow would increase as Ellie would need to buy equipment costing £2000.	A further investment of £2000 will be required to purchase equipment so that she can do a professional job. For the first three months of running her business Ellie had a negative closing balance. This means she would struggle to purchase the new equipment and could make her cash flow situation worse. It is not guaranteed that she will earn £1000 per month from gardening and with little money left and another employee to pay her long-term cash flow would suffer.

Evaluation/Conclusion

- Ellie plans to employ someone to do the gardening work – what will they do in the winter months?
- Ellie is only planning to offer gardening services during the summer months. Although these services are likely to be in less demand in other seasons, some customers may want their gardens maintained all year.
- Although Ellie must pay £2000 for the equipment, she will be able to use this again next year if she wants to continue to offer gardening work during the summer months.

2.5	Ellie estimates that her weekly revenue from the gardening services will be £1320. Cost of goods sold, eg plants, will be £528. Other expenses are £396. Calculate the **gross profit margin** for the gardening services. **[2 marks]**

Marks for this question: AO2 – 2 marks

Method
Gross profit = £1320 – £528 = £792 (1)
£792 (OFR) ÷ £1320 × 100 = 60% (1)

Markers Note:
If students calculate net profit margin, one mark can be awarded.

£396 ÷ £1320 × 100 = 30% (1)

2.6	Ellie is planning to segment her market and focus on families with children. Analyse **one** benefit for Swiftly Services of using segmentation in a competitive market. **[6 marks]**

Marks for this question: AO2 – 3 marks AO3 – 3 marks

Level	Marks	Description
3	**5–6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3–4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1–2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Possible answers include:

Application:
- Ellie will focus on families – **differentiation/unique selling point**
- offering gardening services such as creation of play areas and vegetable patches – **developing products to fit customer needs**
- leaflets will be bright and eye-catching and include images of family gardening services – **targeting customers though promotion**.

Example of Level 3 developed answer
By segmenting the market and aiming her gardening services at families Swiftly Services can differentiate itself from the competition. There is a lot of competition and they have loyal customers, so by offering a service that meets the needs of a specific group Ellie has a better chance of success. Ellie has a lot of friends with children and has used this knowledge to develop gardening services that she knows families want, such as the creation of play areas and vegetable patches. Specialising in these services will make Ellie's new gardening business more focussed on meeting customer needs.

2.7	Ellie is considering using professionally printed leaflets to promote the new gardening services. It will cost 15p to print a colour leaflet. The minimum order is 2000 leaflets. Recommend whether Ellie should use leaflets to promote the new gardening services. Give reasons for your recommendation. **[9 marks]**

Marks for this question: AO2 – 3 marks AO3 – 6 marks

Level	Marks	Description
3	**7–9**	**Detailed analysis and evaluation of topics based on the context** • Sustained line of reasoning, which is coherent, relevant, substantiated with a focused conclusion that is fully justified. • Business areas are fully analysed. • Detailed application of interpretation of financial data including calculation of relevant figures.
2	**4–6**	**Sound analysis and evaluation of topics based on the context** • A line of reasoning, with a conclusion that has some justification. • Business areas are partially analysed. • Sound application of interpretation of financial data including calculation of relevant figures.
1	**1–3**	**Basic analysis and evaluation of topics based on the context** • Basic line of reasoning with a conclusion. • Basic analysis of business areas. • Basic application of interpretation of financial data including calculation of relevant figures.
0	**0**	**Nothing written worthy of credit.**

Indicative content:

Application	Analysis
The leaflets would cost £300 to produce in colour. Leaflets will include colour images of the services on offer to families. There be a special offer on the leaflet to encourage people to read them.	As the leaflets will cost £300 to produce in colour, for a small business the leaflets are the cheaper option. Ellie plans to have the leaflets printed professionally and in colour so they will be eye-catching and less likely to be thrown away without being read. She will include images of the gardening services she is offering so that families can visualise how their gardens could be improved if they employ Swiftly Services. Ellie will also include a special offer on her leaflets which will add the cost of this option, however this will allow her to understand if this method of advertising has been successful because she can count how many people use the discount when they book her gardening services.
The newspaper will cost £600 per month.	The newspaper will cost double the cost of the leaflets, and therefore could reduce the profit Ellie makes on the

Readers of 8000. Family fun section targets Ellie's market.	gardening services. However, as the newspaper has a large number of customers reading it who are more likely to be Ellie's target market who read the fun section of the newspaper, it could lead to a larger number of sales which will cover the additional cost.

Evaluation/Conclusion

- 2000 leaflets are a lot to distribute. To get all 2000 leaflets delivered quickly Ellie may need to consider employing people to help her.
- It depends how often Ellie plans on advertising the garden services.
- It depends how much cash Ellie has got to spend on advertising.

Section C

Total for this section: 35 marks

3.1	Explain **one** characteristic of the growth stage of the product life cycle. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a characteristic of the growth stage
1 mark for explanation.

Answers may include:
- sales are increasing at a fast rate
- increased profits
- business may look for more outlets to sell products
- competitors enter the market
- marketing aimed at increasing market share.

Examples of a developed answer
At the growth stage sales are increasing quickly (1) as customers are becoming more familiar with the product due to advertising (1).

There are more competitors (1) aiming to attract customers with a similar or improved version of the product (1).

3.2	Using **Item C**, explain **one** type of economy of scale that might benefit Jake's business as it grows. **[4 marks]**

Marks for this question: AO1 – 2 marks AO2 – 2 marks

Level	Marks	Description
2	**3–4**	**Sound understanding and application of the topics.** • Applies knowledge and understanding to the context sufficiently. • A sound understanding of one or more business concepts and issues.
1	**1–2**	**Basic understanding and application of the topics.** • Applies basic knowledge and understanding to the context. • A basic understanding of one or more business concepts.
0	**0**	Nothing written worthy of credit.

Answers may include:

- **technical economies of scale** – Jake will be able to buy more efficient equipment and produce more bottles which will reduce his unit costs
- **purchasing economies of scale** – Jake will be placing larger orders and will have more power to negotiate on price.

Example of a Level 2 developed answer

Jake will benefit from purchasing economies of scale as the business grows. Jake's supplier is unwilling to negotiate on the price as he currently orders materials in small quantities. As his business grows Jake will be able to buy in bulk, which means he will have more buying power and can negotiate a discount on his orders. This will lower the unit cost of each bottle.

3.3	Jake used the Internet to collect secondary market research for his business plan. Analyse **one** disadvantage of Jake using the information he gathered from his internet research. **[6 marks]**

Marks for this question: AO2 – 3 marks AO3 – 3 marks

Level	Marks	Description
3	**5–6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3–4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1–2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Application:
- Jake did not recognise the company that had conducted the research – **reliability and quality of information**
- the report was from three years before – **out of date information**
- the report was not specific to his young target market – **product development/marketing methods**.

Example of a Level 3 developed answer
Jake found a market research report from three years before. As Jake specifically wanted current information to support his reusable bottle idea, the information in the report might not be relevant anymore. The report included information on market trends, but these are unlikely to be the same now. The sales figures in the report will also be inaccurate as reusable drinks bottles have become more popular.

3.4	Jake is considering changing his pricing strategy from price skimming to competitive pricing. Analyse **one** benefit for Jake's business of using a competitive pricing strategy. **[6 marks]**

Marks for this question: AO2 – 3 marks AO3 – 3 marks

Level	Marks	Description
3	**5–6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3–4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1–2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Application:
- competitors have recently launched very similar bottles – **product differentiation/USP**
- competitors are selling the bottles at a lower price – easy to research and compare – **price competition**
- 90% of people identify price as the most important factor – **responding to market research/marketing mix**.

Example of a Level 3 developed answer
A competitive pricing strategy will allow Jake to change his prices to compete with the other businesses that have recently launched a similar bottle. The competition is charging a lower price for bottles that have similar designs and features. Unless Jake reduces the price of the BEco bottle he will lose customers. As shoppers consider price to be the most important factor when making a purchase, by responding to fluctuations in price Jake will continue to attract customers and increase market share.

3.5	To remain competitive, Jake has reduced the price of the BEco Bottle. At this new price, the level of sales and his costs remain the same. If Jake sells 5000 bottles, total revenue falls from £90 000 to £75 000. Using **Figure 1**, calculate the fall in **profit** as a **percentage** if Jake sells 5000 bottles at the new lower price. State the formula for net profit and show your workings. **[5 marks]**

Marks for this question: AO1 – 1 mark AO2 – 4 marks

1 mark for correct identification of profit formula.
4 marks for calculation.

Answer = 75% (4)

Net Profit = Revenue – Total Costs (1)

Method

Current profit	£90 000 – £70 000 = £20 000 (1) OFR
New profit	£75 000 – £70 000 = £5 000 (1) OFR
Reduction in profit	£20 000 – £5 000 = £15 000 (1) OFR
Percentage reduction	(£15 000 / £20 000) × 100 = 75% (1) OFR

3.6	Jake wants to target a new BEco Bottle at sports people and needs to increase production. He is considering **two** options to achieve this: • outsource production of the sports bottle to India • use hire purchase to buy the new equipment to manufacture the sports bottle in his existing factory. Analyse the effect of **each** of these **two** options for the business. Evaluate which of these **two** options will have the biggest impact on the future success of the sports bottle. **[12 marks]**

Marks for this question: AO1 – 3 marks AO2 – 3 marks AO3 – 6 marks

Level	Marks	Description
4	**10–12**	**Developed, integrated analysis and evaluation of topics with sustained judgement based on context** • An integrated line of reasoning, which is coherent, relevant, with a conclusion where the area which has been impacted on the most has been fully justified. • Interdependent nature of business areas is fully analysed. • Applies knowledge and understanding to the context and successfully draws together several functional areas of business.
3	**7–9**	**Detailed analysis and evaluation of topics based on the context** • A line of reasoning, which is coherent, relevant, with a conclusion that is justified. • Different business areas are analysed independently, or the interdependent nature of business areas is partially analysed. • Applies knowledge and understanding to the context and starts to draw together several functional areas of business.
2	**4–6**	**Sound analysis and evaluation of topics in isolation of their interdependence based on the context** • A line of reasoning, with a conclusion that has some justification. • One business area is analysed independently. • Applies some knowledge and understanding to the context.
1	**1–3**	**Basic generic discussion of topics** • A basic understanding of business concepts in isolation. • A basic understanding of one or more business concepts. • Partial relevance to the question.
0	**0**	Nothing written worthy of credit.

Indicative content:

Understanding	Application	Analysis/evaluation
Outsourcing allows another company to be responsible for manufacturing a product, when the business does not have the resources.	Manufacturer in India can source materials 50% cheaper than in the UK. Manufacturer can offer a short-term contract. Design features will have to be removed.	As the cost of materials is much lower in India than the UK Jake will have a much better profit margin on each sports bottle. However, as he is using cheaper materials this may impact the quality of the sports bottle. If the quality is not to the same standard as the original BEco bottle Jake risks damaging the reputation of his business and its future success. The manufacturer has asked Jake to simplify the design of the new bottle, so it is easier to produce. This could be risky for Jake as his customers are only keen to stock the sports bottle if the design, as well as the price, are right. Removing the design features of the bottle may mean that customers are unwilling to stock the bottle or expect it to sell at a lower price point.
Hire purchase will allow the business to obtain the equipment needed to increase production and pay in instalments.	Hire purchase will allow production to continue in the UK factory. Hire purchase has an 8% interest charge. The business would pay for the expensive equipment in 48 monthly instalments.	This will eventually enable Jake to own the expensive equipment himself. This means that Jake can continue to use it to produce bottles beyond the four years of the hire purchase agreement and reduce his costs. Jake must make sure that he has enough orders of the sports bottle before he goes ahead with the hire purchase agreement. Buying the equipment himself is a big commitment for the next four years, and Jake must also pay 8% in interest which will cost an additional £1600. Jake might have to increase the selling price of the sports bottle to make sure he can cover the cost of the hire purchase and this might stop his customers placing orders as they have specified that the bottle needs to be available at an affordable price.

What does it depend on? Evaluation and integration

- Will the low-cost materials used by the Indian supplier be the same quality? If retailers start receiving complaints from customers, they will not want to continue to stock the bottles.
- Although the Indian manufacturer can reduce the cost of production, Jake will need to consider the cost of delivery from India to the UK and the time this will take.
- Will customers question the ethics behind the decision to move production to India for the sports bottle? Jake will need to make sure that the factory in India meets his ethical standards.