GCSE
BUSINESS
8132/2

Paper 2 Influences of marketing and finance on business activity

Mark scheme

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Version: 1.1 Final Mark Scheme

226G8132/2/MS

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	B – Money owed to suppliers
1.2	A – Higher cost of supplies
1.3	A – Customer opinions on a product
1.4	C – Rent received
1.5	D – Retained profit
1.6	D – Decline

1.1 – 1.6 = AO1 x 6 **[1 mark for each correct answer]**

1.7	Identify **two** methods of organic growth. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a method of organic growth x 2.

Answers may include:
- opening new stores
- franchising
- E-commerce
- outsourcing
- introducing new products
- entering new markets.

Markers Note
Do not accept hiring employees.

1.8	Explain **one** type of public relations (PR) activity that a business might use. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying one type of public relations activity.
1 mark for explaining the activity or purpose of the activity.

Possible answers may include:
Types
- press releases
- news articles
- special events – eg charity event
- social media/blogs
- sponsorship
- celebrity endorsement.

Explanation
- a statement that provides information for the media
- a way of showing products or services to the press and public
- to launch new products
- to promote the business for free
- to attract a wider audience
- to build relationships with customers
- to improve brand image.

Examples of a developed answer
A business would issue a press release (1) to the media to provide details of a new product (1).

Organising a community event such as a festival (1) would make local people aware of the business (1).

Markers Note
Do not accept increasing sales.

1.9	Explain **one** reason for conducting market research. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying a reason.
1 mark for explanation of the reason.

Possible answers may include:
Reasons
- establish demand
- identify target market
- give insight into competitors.

Explanation
- to adapt products/services so they meet customer needs
- to identify new business opportunities/changing market trends
- to differentiate products/services.

Examples of a developed answer
Market research enables a business to find out what customers want (1). It can then develop products that meet customer needs (1).

To examine what competitors are doing (1) so that products can be differentiated (1).

1.10	Explain **one** economic influence on consumer spending. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying an economic influence on consumer spending.
1 mark for explaining how this affects consumer spending.

Possible answers may include:

Influence
- interest rates
- levels of employment
- recession
- inflation
- taxation.

Explanation
- higher interest rates will discourage people from borrowing money and reduce spending
- lower interest rates will encourage people to borrow money and increase spending
- high levels of employment will increase income and spending
- high levels of unemployment will reduce income and spending.

Examples of a developed answer
A fall in interest rates (1) will encourage people to borrow more money so there will be an increase in consumer spending (1).

Higher unemployment will reduce consumer spending (1) because people will have less income (1).

1.11	Calculate the closing balance for August. **[2 marks]**

Marks for this question: AO2 – 2 marks

£425 (2)

Method
July closing balance = (£1 200) + £2 000 = £800 (1)
August closing balance = (£375) + £800 OFR = £425 (1)

Markers Note
Answers in table can be accepted.

1.12	State and explain **two** reasons why a business would create a business plan. **[4 marks]**

Marks for this question: AO1 – 4

1 mark for identifying a reason for creating a business plan and 1 mark for an explanation of why this is important x 2.

Answers may include:
- to plan for the setting up of a business
- to get funding from the bank
- to raise capital
- to set objectives
- to motivate employees
- to manage growth
- to predict future problems
- to describe how functions of a business will be organised.

Examples of a developed answer
To raise finance from the bank (1). Financial forecasts show the bank that the business has considered income and costs (1).

To predict future problems (1). Contingency plans can then be put into place to reduce the impact on the business (1).

Section B

Total for this section: 35 marks

2.1	Identify **two** fixed costs for a business. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for each correct fixed cost identified x 2.

Answers may include:
- rent
- insurance
- salaries
- advertising
- finance repayments
- telephone
- rates.

Marker note: do **not** accept wages (because they are paid on an hourly rate).

Do **not** accept utility bills unless fixed element is identified – eg office lighting.

2.2	The net profit margin for 2020 was 20%. Using **Table 2**, calculate the **change** in the net profit margin for Skate4U Ltd from 2019 to 2020. State the formula for the net profit margin and show your workings. **[5 marks]**

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

1 mark for correct identification of net profit margin.
4 marks for calculation.

Net profit margin = (Net profit / Sales revenue) × 100 (1)
Answer = 8% (4) or -8% (4)

Method
Net profit 2019 = £850 000 – £350 000 – £262 000 = £238 000 (1)
Net profit margin 2019 = (£238 000 OFR/ £850 000) (1) × 100 = 28% OFR (1)
Change = 28% (OFR) – 20% = 8% (1)

2.3	To pay for the sponsorship of a national skateboarding competition Skate4U Ltd is considering using £50 000 of its available overdraft at the current 12% annual interest rate. Recommend whether Skate4U Ltd should use its overdraft to fund the sponsorship. 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/evaluation
Minimum cost of £50 000. The cost of sponsoring the national competition may increase. Skate4U would have a further £5000 available from its overdraft. Skate4U can use up to £55 000 of their overdraft for the sponsorship deal. Skate4U aims to pay the overdraft off in six months.	The overdraft gives Skate4U some flexibility over how much is borrowed from the bank and when it is repaid. The sponsorship will cost a minimum of £50 000. As Skate4U has already borrowed £10 000 this leaves it with an extra £5000 available. The cost of the sponsorship deal depends on how far the team progresses, and so by having this level of flexibility Skate4U has more finance available if necessary. The overdraft can be repaid at any time so Skate4U could avoid paying high amount of interest if it is able to repay quickly.

Currently the annual interest rate is 12% on overdrafts. Interest rates have increased. Skate4U would pay £3000 in interest if it paid the £50 000 overdraft off after six months. £122 000 net profit available in 2020 that can be retained and used to pay for the sponsorship.	The interest rates of overdrafts have increased to 12%. Skate4U will be charged £3000 in interest if it takes 6 months to repay the £50 000 overdraft. If the interest rate increases again then this will cost the business even more. Skate4U made £122 000 net profit in 2020. If the business used finance to sponsor the skateboarding competition it would avoid paying any interest on the £50 000, reducing the total costs of the sponsorship. If Skate4U need to invest any more in the sponsorship, then it still has £72 000 retained profit to do this.

Evaluation/Conclusion

- Will using the net profit for the sponsorship prevent other important activities occurring? How important is new product development to the future success of Skate 4U?
- The maximum overdraft is £65 000 – if the team reaches the final stages of the competition would Skate4U be able to borrow enough?
- What will happen to interest rates? If current interest rates fall on overdrafts, they would become more attractive.

2.4	Explain **one** reason why Skate4U Ltd should calculate the number of scooters needed to break even. **[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:
Knowledge and Application
- identifies level of production to cover costs – **at present Skate4U can produce 10 000 scooters a year**
- identifies the level of sales – **enables Skate4U to set sales targets for employees**
- margin of safety – **enables Skate4U to compare the break-even level to the total production level of 10 000 scooters**.

Example of a L2 developed answer
Calculating break-even will allow Skate4U to identify how many scooters will need to be sold to cover costs and make a profit. Skate4U is currently able to produce 10 000 scooters and by calculating break-even it can identify whether it can generate enough sales revenue from the 10 000 scooters to cover the costs of production and how much profit it could make.

2.5	The scooter market is a highly competitive market dominated by four businesses. Analyse **one** reason why promotion would be useful to Skate4U Ltd when entering the scooter 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

- **four businesses dominate the market and receive 80% of the sales revenue** – promotion is used to persuade customers to switch brands
- **market leader has launched a successful sales promotion** – competitors' actions influence promotional methods
- **Skate4U would be a new entrant in the market** – promotion is essential at the introductory stage of the product life cycle
- **Skate4U is planning to inform its current market of skateboard users about the new scooters** – promotion can be used to inform customers about new products.

Example of L3 developed answer:
Skate4U is entering a very competitive market that already has four businesses. One reason for promotion by Skate4U is that it can be used to inform customers about the new scooter range. Once customers are aware of the features of the new scooters then this might persuade them to switch brands. The four dominant businesses in this market receive 80% of the sales revenue. Therefore, Skate4U must launch the scooters with an effective promotional campaign so the market is aware of the new products straight away. If Skate4U does not invest in promotional activities, it will struggle to attract customers to buy its new scooter product range. This will mean Skate4U's sales will continue to fall and it will struggle to break-even.

2.6	Skate4U Ltd is considering taking the risk of extending its product portfolio into a new market. Recommend whether Skate4U Ltd should develop a range of low-price scooters. 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 to the context.
0	**0**	**Nothing written worthy of credit.**

Indicative content:

Application	Analysis/evaluation
Sales of skateboards have fallen. The scooter market has rapidly grown in the last three years. Scooters would be aimed at a new market and low price.	Skate4U is currently suffering from a fall in sales in the skateboard market, whereas the scooter market has grown rapidly over the last three years. If Skate4U stays in its current market the business is likely to struggle to generate sales revenue and sales may continue to fall. By widening its product portfolio and developing a new product for a growing market Skate4U should increase its sales. The scooters will be sold at a low price, whereas the skateboards it currently produces are very expensive. Having a low-priced product in its portfolio will attract a different target market and increase sales for Skate4U.

The scooter market is dominated by four large businesses that have 80% of the sales revenue. Concerns within the business about the possible negative impact on the brand image of Skate4U.	There is a significant risk for Skate4U in entering a market dominated by four large businesses. 80% of the sales in the scooter market come from four businesses. This means that these businesses may already have a strong brand awareness and customer loyalty, resulting in Skate4U needing to spend a significant amount of money promoting the new scooters to ensure that it can build a customer base. There are concerns about the impact of moving from a premium to a low-cost product. Customers might be put off from buying a skateboard from Skate4U if they see that this brand is also selling low-cost scooters.

Evaluation/Conclusion

- If sales are falling does Skate4U have any other option but to enter a new market?
- How strong is customer loyalty in the scooter market? Are customers willing to switch brands?
- How effective is Skate4U's promotional campaigns?
- How many scooters would need to be sold to break-even?
- Will its current market of skateboarders be interested in the scooters? Will the change have a negative impact on image?

Section C

Total for this section: 35 marks

3.1	Explain **one** advantage of a strong brand image for a business. **[2 marks]**

Marks for this question: AO1 – 2 marks

1 mark for identifying an advantage of a strong brand image and 1 mark for explanation.

Answers may include:
- recognisable
- memorable for customers
- customer loyalty
- differentiation from competition
- attract employees
- less advertising is needed
- could help to charge a premium price.

Examples of a developed answer
Brand image makes products recognisable (1). This is important in a competitive market where products are similar (1).

Customers trust businesses that have a strong brand image (1). This means they are more likely to be loyal to that brand and buy more products from them (1).

3.2	Skyline plc is planning to introduce a new route to Sibiu in Romania. Explain **one** factor that will influence the price that Skyline plc charges customers for each flight. **[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:
Knowledge and application
- costs – **purchase price of the new plane, fees and taxes are high at Sibiu airport**
- degree of competition – **no other UK airlines currently offer flights to Sibiu**
- demand – **Sibiu is growing in popularity as a tourist destination**.

Example of a L2 developed answer
The price that Skyline charges for a flight to Sibiu will be influenced by the amount of competition. No other UK airline currently offers flights to Sibiu. This means that anyone wanting to visit Sibiu from the UK must fly with Skyline. The airline can take advantage of this by charging higher prices than it does for other destinations. Sibiu is growing in popularity so people will be prepared to pay more for these flights.

3.3	As a plc, Skyline must ensure that the interests of its shareholders are met. Analyse **one** disadvantage to Nadia of Skyline being a public limited company. **[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:
- **Nadia's ownership of the business reduced to 70%** – share issue results in a loss of control
- **shareholders able to vote on major decisions** – shareholders may vote to take the business in a different direction to what Nadia wants
- **Nadia had planned to reinvest her profits back into the business** – shareholders will expect to receive a dividend for their investment.

Example of a L3 developed answer
Nadia has owned 90% of Skyline plc since buying the company two years ago. Her ownership and control have now been reduced to 70% because she needed to raise funds through share issue. Nadia has always made the decisions for the business herself and is planning to expand the business and introduce new routes to different destinations. However, her new shareholders have a say in the major decisions of the business, and they might not agree with Nadia's plans, preferring to receive a dividend rather than reinvest all the profits.

3.4	Using **Item D**, calculate the average rate of return if Skyline plc purchases the new plane. State the formula for the average rate of return and show your workings. Give your answer to **one** decimal place. **[5 marks]**

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

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

Formula = Average return per annum/initial investment × 100 (1)
Answer = 12.5% (4)

Method

Average return per annum = £108m / 12 (1 mark for dividing by 12) = £9m (1) OFR
Average rate of return = (£9m OFR / £72m) × 100 (1) = 12.5% (1)

3.5	Skyline plc plans to set up a telesales team to generate a high level of sales for flights to Sibiu. Analyse **one** disadvantage to Skyline plc of using telesales to contact customers. **[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:
- not all customers have indicated if they are happy to be contacted by telephone – **appropriateness of channel of distribution**
- telesales team will not be given a formal script – **impact on company image**
- telesales team expected to contact at least 12 customers per hour – **ability to successfully access customers**.

Example of a L3 developed answer
Skyline has some customers that have not stated whether they are happy to be contacted by telephone. If a member of the telesales team calls a customer who does not want to be contacted this way, it could have a negative impact on the image of Skyline. The business would like all past and present customers to be contacted. Customers may not be interested in visiting Sibiu and would find it annoying to receive a telesales call about this destination. Using telesales could stop them from booking a flight with Skyline in the future if they do not feel their information is being used correctly.

3.6	Skyline plc wants to increase the profit of the business. It is considering **two** options to achieve this: • introduce loss leader pricing to increase customer numbers on midweek flights • improve sustainability to attract a new target market. Analyse the effect of **each** of these **two** options on the business. Evaluate which of these **two** options will have the biggest impact on the profit of the business. **[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 with 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
Loss leader pricing method involves selling a service at a price below cost to attract customers.	Skyline plans to use loss leader pricing for off-peak midweek flights. Skyline aims to cover costs and make a profit by charging customers for extras. Once customers have flown with Skyline they return to the business.	Significantly reducing the price of the off-peak flights will encourage many more customers to travel midweek instead of on a weekend when prices will remain high. However, as Skyline is using a loss leader pricing method this will have a negative impact on profits as it will not cover the costs of each flight. Skyline is aiming to make a profit by charging customers more for luggage and drinks, however if people decide not to add any extras to their flight then Skyline will fail to cover costs and make a loss. The business knows that once customers have flown with it they return. Therefore, using a loss leader pricing method should attract new customers who are likely to book more flights with the business in the future, increasing the overall profits of Skyline.
To improve sustainability there is often a trade-off with profit.	Customers are becoming more aware of the environmental impact of air travel. Skyline would remove single-use plastics from flights. Skyline will donate 1% of profit to environmental projects to make up for the pollution produced.	There is a gap in the market for a sustainable airline as no other low-cost airline is currently promoting this. This would give Skyline a USP and attract a new market of environmentally friendly customers, therefore increasing profits. Skyline plans to remove single-use plastic from flights and insist that customers bring their own reusable cups on board. By doing this it risks upsetting its regular customers. As the low-cost flight market is very competitive customers that are not concerned about the environmental impact of flying may switch to a competitor who is still offering these services on board, reducing profits.

What does it depend on? Evaluation and integration

- Skyline may decide to increase prices to cover the 1% donation to environmental projects. If sustainability increases prices, then Skyline may lose customers.
- Is a 1% of profit donation to environmental projects enough to entice customers?
- If the midweek flight prices are significantly lower, then people may stop travelling on more expensive weekend flights.
- How many flights will be adopting the loss leader pricing method? Is this a long-term plan? This strategy could have a serious impact on profit.
- How many people can travel midweek?