

GCSE (9-1)

Examiners' report

BUSINESS

J204

For first teaching in 2017

J204/02 Summer 2019 series

Version 1

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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

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Paper 2 series overview

Paper 2 focuses on operations, finances and influences on business. The structure of the paper is similar to that of the practice paper found on Interchange and candidates who had been exposed to this resource would have been well prepared for this examination.

Full preparation for this examination needs to include:

- Practice at answering multiple choice questions.
- The ability to apply understanding to the contexts given in Texts 1 – 3.
- The development of analytical skills.
- The development of evaluative skills.
- The interpretation and use of numerical data.
- The application of Component 1 knowledge to Component 2 subject content.

Section A asks candidates to answer 15 multiple choice questions. Candidates had no issues in using the answer boxes in this section and where a mistake was made, candidates generally made their new answer obvious. It was rare to find candidates who missed out answering these questions or candidates who did not make their choice clear.

	OCR support	<p>OCR has produced lots of practice multiple choice questions for centres to use. These can be accessed using the link https://www.ocr.org.uk/qualifications/gcse/business-j204-from-2017/planning-and-teaching/</p> <p>and selecting 'Teaching activities'. The resource organises the practice multiple choice questions by topic, so that it can be used appropriately throughout the programme of study.</p>
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Section B requires the demonstration of five different skills; knowledge, understanding (assessment objective 1), application (assessment objective 2), analysis and evaluation (assessment objective 3). It is essential that candidates are well prepared in each of these skills and that centres are aware of how candidates should demonstrate them in the examination.

How to demonstrate skills

Knowledge is a piece of learnt theory that is often demonstrated through a definition.

Understanding is showing that a piece of theory has not just been learnt, but that it has been comprehended. It is often best demonstrated through an example.

Application is showing that a piece of theory is not just understood, but can be used in a specific, and in the case of J204/02, given scenario. This is often demonstrated by recognising which element of the context it relates to or by explaining why something is relevant to that scenario.

Analysis is showing the effect, reaction or consequence of something happening. This is demonstrated by a candidate giving the specific effect, reaction or consequence on the given business or stakeholder. Analysis should be relevant to the business or stakeholder context given, and, as such, some effects, reactions or consequences are plausible, while others are not.

Evaluation is about weighing up data and making a judgement and/or drawing conclusions. This is often demonstrated by giving a recommendation or concluding that one element is more or less important or significant than another.

Candidates should be prepared to show the appropriate skill or skills based on the question asked. Each question is actually an instruction to a candidate to demonstrate the appropriate skill(s) and candidates can unlock the full range of marks available by responding to the instruction given.

Some questions require a portfolio of skills to be demonstrated. For example, the 9 mark question (Question 18e) requires all five skills to be demonstrated, reflecting the high number of marks available. However, most questions are more targeted, which allows candidates to focus on a smaller number of skills.

For example, Question 16 (a) (ii) uses the command word 'analyse' and requires candidates to demonstrate understanding of being a sustainable business, application to Costa Coffee and one piece of analysis of an advantage to a business of being sustainable.

The biggest skill area candidates need to improve is the ability to *apply* their knowledge (assessment objective 2). As a general rule-of-thumb, if a question uses the name of a business or a stakeholder, then some level of application to that business or stakeholder is required. For example, Question 16 (d) (i) does not require application. Any learned factor that could influence the location of a business is rewardable. However, the following Question 16 (d) (ii), is specific to Costa's decision to locate a new branch in Welshpool. The data in Text 1 mentions a number of influences to this decision, so these were the factors which needed to be applied in the subsequent analysis and evaluation. In this particular question, the factors were well applied in general. However, in Question 16c, which was about Costa Coffee employees, the impact that was required had to be specific to those employees, for example by making the jobs of those working in the finance section easier.

Application is not about what could be applicable to any business, but what is actually applicable to the specific scenario given in the data.

There was little evidence that candidates struggled for time in this examination and most candidates made an attempt at the last question.

Section A overview

The multiple choice questions proved to be good discriminators with candidates finding some questions easier than others. The following questions proved to be the hardest for candidates to identify the correct answer. The two most common issues were; not spending enough time reading and understanding the question, and misunderstandings over key terms.

Question 4

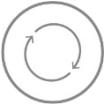
4 Choosing which supplier to use is a:

- A marketing decision
- B pricing decision
- C procurement decision
- D sales decision

Your answer

[1]

Candidates often did not know what the word 'procurement' actually meant, which was a barrier to correctly answering this question. Although multiple choice questions can be perceived as 'easy', if a candidate does not have the knowledge to distinguish between the responses, then the question is difficult. The wrong answers in this question were tempting distractors to candidates and no one wrong answer stood out as being more popular than the rest.

	AfL	When writing practice questions to prepare candidates, centres often ask what a term means with a number of options. However, turning the question around to give a definition and a number of key terms is another way of writing good multiple choice questions for preparing students. This can be particularly useful for commonly misunderstood terms, like procurement.
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Question 6

6 A supermarket decides to extend its opening hours.

The supermarket is likely to need:

- A a longer supply chain
- B fewer staff
- C lower quality products
- D reliable suppliers

Your answer

[1]

This question is a good example of a question where the best approach for a candidate is to discount the other options, as opposed to finding the right answer. Each of these answers is close to a right answer and in the pressure of an examination room, candidates can easily see what they perceive to be a right answer and move on. By discounting each answer, one at a time, candidates are more likely to realise the correct answer, despite it not being the first thing they might think about when they saw the question.

Question 7

7 Which of the following is a limitation of break-even analysis?

- A It cannot be used to estimate the profit a business is likely to make
- B It cannot factor in seasonal pricing and price discounts
- C It cannot show how much a business needs to sell to cover its costs
- D It cannot show the level of profit or loss at a range of outputs

Your answer

[1]

Candidates often saw the word 'estimate' in response A and simply went with this answer. This is a good example of candidates needing to take time over multiple choice questions. Each is worth a mark and therefore deserves at least a minute of time in this examination.

Question 8

8 The transport costs of Global Logistics United plc (GLU plc) for the last five years are shown below.

Mode of transport:	By road	By rail	By air
2014	£150 000	£350 000	£600 000
2015	£160 000	£370 000	£620 000
2016	£170 000	£390 000	£635 000
2017	£180 000	£410 000	£640 000
2018	£190 000	£430 000	£650 000

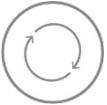
The data shows that:

- A the company prefers to transport its goods by air
- B the company's transport costs have fallen year on year
- C GLU plc spent more than £1.25 million on transport costs in 2018
- D GLU plc transports more goods by rail than by road

Your answer

[1]

This question required some numerical skill and demanded a little time to be able to either discount the wrong answers or to validate the right answer. Again, this is an example of candidates needing to give the multiple choice questions a reasonable amount of time, as opposed to rushing through them to get to Section B.

	AfL	<p>There is a strong correlation between candidates who gained a higher mark on Section A and those who gained a higher mark on Section B. Centres can use multiple choice questions as a quick, but effective test as to the overall ability of their students, as long as there is a range of difficulty in the questions themselves.</p>
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Question 10

10 An extract from Pasha's Carpets' cash flow forecast for August 2019 is shown below.

	August
	£
Total inflow	44 000
Total outflow	45 500
Net cash flow	
Opening balance	-1100
Closing balance	-2600

Pasha's Carpets' net cash flow for August 2019 is expected to be:

- A -£3700
- B -£1500
- C £1500
- D £3700

Your answer

[1]

Candidates who got this question wrong often recognised the difference between the cash inflow and the cash outflow, but did not see that it was a negative amount, therefore choosing response C. This either showed a lack of understanding of cash flow, or candidates taking too little time to really think about their response.

Question 12

12 A manufacturer makes chocolate bars. All of the chocolate bars are passed through a machine to check for production mistakes before being boxed.

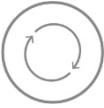
This is an example of:

- A product development
- B product recall
- C quality assurance
- D quality control

Your answer

[1]

There was a clear misunderstanding between quality control and quality assurance. These are technical terms which should be understood by candidates, but often prove to be common errors in examinations. Fundamental key term revision can avoid these errors and prove to be a worthwhile use of revision lessons before an examination.

	AfL	The specification contains many terms that are often misunderstood by candidates. Creating key term lists, flashcards and mini tests can be a good way to tackle the revision of these terms.
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Question 13

13 Exobike made a gross profit of £9996 from selling 42 exercise bikes at £350 each.

What was Exobike's gross profit margin?

- A 68%
- B 147%
- C £4704
- D £14 700

Your answer

[1]

Another quantitative question that proved difficult for candidates. In this case candidates needed to do quite a lot for their mark; calculating the total revenue, knowing the gross profit margin formula and then using the figures to work this out. However, by simply knowing what a gross profit margin looks like (ie it is a percentage), candidates could easily discount two of the responses and common sense might have then led more candidates towards response A as it is a realistic gross profit margin for a business.

	AfL	Candidates often proclaim that they can't 'do calculations'. However, this type of question can allow even the less numerate of candidates to use their knowledge of Business to find what is most likely to be the correct answer. Preparing students for quantitative questions in this specification, does not always have to be about doing calculations.
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Question 14

14 Coconut Life uses e-commerce to sell its range of innovative coconut products.

Which of the following will **not** improve customer engagement?

- A Training staff on the benefit of coconuts
- B Only selling products that have been certified as organic
- C Sending carefully worded personalised emails to interested customers
- D Sending text messages to all previous customers about the benefits of coconut oil

Your answer

[1]

There was some misunderstanding over the term customer engagement. This question asks about what will not improve customer engagement and highlights the importance of candidates taking time to fully understand what a question is asking.

Section B overview

Section B involves short, medium and longer answer questions, often applied to the data in the text boxes at the start of each question. Candidates should spend some time reading and fully understanding the data before attempting each question. Many errors could have been avoided by more time spent reading the text.

Each piece of text has signposts for candidates to follow that make the answering of the questions easier. By identifying and using this data, candidates will be able to provide better, more realistic and focused answers that match the skill requirements of the questions asked.

Question 16 (a) (i)

Text 1

Costa Coffee

Costa Coffee is a British multinational coffee shop company owned by Coca-Cola. It is the second largest coffeehouse chain in the world behind Starbucks, and the largest in the UK. It has over 2100 branches in the UK and over 1200 branches in the rest of the world including Dubai, China and Poland.

Costa Coffee has recently opened a new branch in Welshpool. It is located in the town centre on the high street near lots of other businesses, including offices and shops. There were only two other coffee shops in the town before they opened.

Costa Coffee takes ethics very seriously and it has switched to environmentally-friendly coffee beans to make its supply chain more sustainable. Now all its stores worldwide use beans from Rainforest Alliance-certified suppliers, who meet ethical and environmental standards for the sustainable supply of coffee beans.

In order to be successful, Costa Coffee sells a wide range of products and constantly invests in updating this product range as well as refurbishing its shops. Recently it has invested heavily in updating its computer software to assist its many functional areas such as finance.

(a) (i) State **two** environmental considerations for a business.

Consideration 1

Consideration 2

[2]

The specification lists four environmental considerations; sustainability, waste disposal, pollution, climate change. Relatively few candidates could name two of these and examples of each were allowed as correct answers. However, candidates were not rewarded for using the same consideration twice.

Where misunderstanding existed, it was often a confusion between environmental and ethical considerations.

Question 16 (a) (ii)

(ii) Analyse **one** advantage to Costa Coffee of being a sustainable business.

.....

A question such as this requires a candidate to show understanding of being a sustainable business, application to the context of Costa Coffee using Text 1 and a chain of analysis of the advantage to the business. The most common error was to give an answer which showed no understanding of what being a sustainable business means, leaving a response which was not specific to the question.

Candidates sometimes did not understand that sustainability is an environmental consideration in the GCSE Business specification. A generic understanding of the word sustainability is not what we are examining here.

Exemplar 1

Costa coffee uses coffee beans that are environmentally friendly. This is good as not only will it positively affect the environment it will also attract more customers. By doing so Costa creates a bigger profit which can be further invested into the business to allow the business to be better established within the market and beating their biggest competitor Starbucks.

This response has all three elements. Obvious understanding of what it means to be a sustainable business (positively affecting the environment), a chain of analysis (attracts more customers, leading to bigger profit which can be invested into the business) and application to Costa Coffee using Text 1 (beating their biggest competitor Starbucks).

Question 16 (b)

(b) Explain **two** possible reasons why Costa Coffee uses coffee beans from Rainforest Alliance-certified coffee suppliers.

Reason 1

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.....
.....
.....

Reason 2

.....
.....
.....
.....

[4]

To answer this question, candidates needed to understand what benefits a business might gain from choosing an ethical supplier. This then had to be applied to Costa Coffee and the Rainforest Alliance-certified coffee suppliers. Most candidates could understand at least one benefit, such as increased reputation, but it was rarer for candidates to be able to apply this to the given context.

	AfL	<p>With answers that need to be applied to given pieces of context, such as Text 1, the obvious place to start with a response is not the specification, but the data itself. Centres should be preparing candidates to ask themselves what is most applicable to the business and to use these responses to answer the question. The data is full of signposts to the most appropriate answers and these are the easiest for candidates to gain full marks.</p>
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Question 16 (c)

(c) Explain **one** impact on Costa Coffee employees of the business investing in updating computer software.

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[2]

Again, the impact here needed to be applied to the specific scenario of Costa Coffee employees given in Text 1. The most obvious good answers linked the impact to employees working within the finance function of Costa Coffee. However, many answers were generic and could have been about any business.

Question 16 (d) (i)

(d) (i) Identify **two** factors that influence the location of a business.

Factor 1

.....

Factor 2

.....

[2]

This is the first part of a scaffolded question. In essence Questions 16 (d) (i) and 16 (d) (ii) are asking about the same topic area but require different skills. This question requires knowledge of factors which could influence the location of a business. This is section 4.5 of the specification which lists four factors; costs, the proximity to market, labour and materials. As with Question 16 (a) (i), examples of each were permitted.

Question 16 (d) (ii)

(ii) Discuss the factors that may have influenced Costa Coffee's decision to locate a new branch in Welshpool.

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[7]

Since generic factors were rewarded in the previous question, this question is only looking for factors to be applied to Costa Coffee, not a repetition of the knowledge.

The command word for this question is 'discuss'. This is an evaluative (AO3b) instruction, but relatively few candidates recognised this and it was rare to find a response where a candidate had even attempted to weigh up the factors and come to a conclusion or judgement about their relative influence.

It was often the case that good candidates who could evaluate in later questions, did not realise that they needed to in this question. This suggests a misunderstanding over how to respond to this command word.

Most good candidates gained 4 out of the 7 marks for this question for demonstrating their skills of application and analysis. However only the very best candidates picked up any evaluation marks, even those available for a simple judgement.

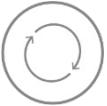
	AfL	<p>The command words for this specification are included on page 21 of the specification and centres should expect the full range to be used in any examination. When preparing students for future examinations, all of the potential command words should be utilised, paying close attention to the one highlighted in this report as being poorly understood.</p>
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Exemplar 2

Overall there are many factors that would affect this decision. However the most important is the 'footfall' as Costa are a retailer and do not sell electronically so require good footfall.

This is a simple example of an evaluative conclusion to this question. Although evaluation can be rewarded at any point in a response, a conclusion is often the most logical place to weigh up factors.

This conclusion is relatively straightforward and reflects the preceding application and analysis without trying to repeat the points that have already been made. A judgement is made over the most important factor (footfall) and this is justified because Costa requires this because their products are sold in person. This justification is based on the specific scenario of Costa coffee which makes this worth all 3 of the available evaluation marks.

	AfL	<p>Business teachers have often traditionally taught evaluation as the 'hardest' skill required in general qualifications. This has often led to some candidates focussing on the other skills, believing that they are unlikely to gain any of these marks. However one of the benefits of the new qualification is to enable candidates of all abilities to access these marks, even if they have not fully demonstrated the other skill areas.</p> <p>It is feasible for a candidate to gain evaluation marks in this question without demonstrating any application or analysis by making a judgement over the most influential factor. This basic evaluation will attract marks in this specification and helps all candidates to be able to be rewarded for whatever skills they have developed.</p> <p>Therefore, centres should aim to develop all of the skills and encourage their candidates to attempt every appropriate aspect of every question.</p>
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Question 17 (a)

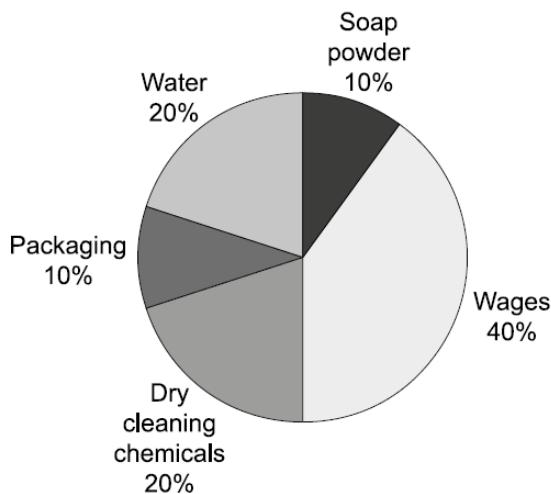
Text 2

SP Dry Cleaners

Stuart and Pippa own a dry cleaning and launderette business called SP Dry Cleaners (SP). The pie charts below show the monthly variable costs for SP in 2017 and 2018.

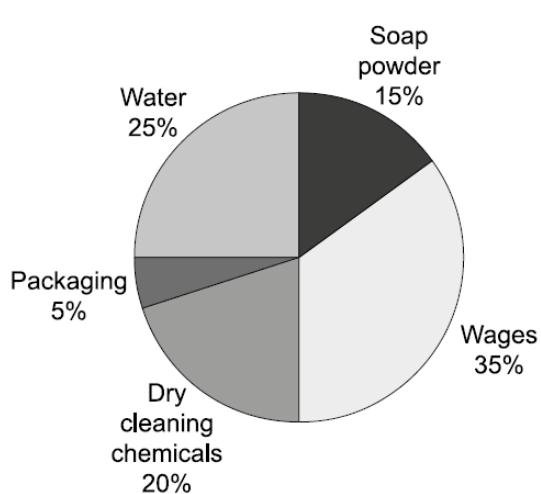
Pie chart 1

Monthly variable costs 2017 £4400



Pie chart 2

Monthly variable costs 2018 £5500



Stuart and Pippa are looking to expand into clothing repair and have investigated two sewing repair businesses, HD Sewing and Fast Stitch, for sale. Pippa has stated she wants to see her investment in the sewing repair business returned within **five years**. Stuart has collected the following information on the two businesses.

Table 1 Financial data for HD Sewing and Fast Stitch

	HD Sewing	Fast Stitch
Purchase price of the business	£80 000	£65 000
Sales revenue per year	£90 000	£82 500
Net profit per year	£25 000	£22 000
Average rate of return	?	13.8%

(a) Identify **one** fixed cost a business could have.

.....
..... [1]

This is not a contextual question. The key to understanding this is that the question does not use the name of the business or a stakeholder. Therefore, any cost that does not change with output is acceptable.

The most common correct answer was 'rent', which is obviously a cost that does not vary as output changes (in the short run). No explanation of this was required for the mark.

Salaries were also accepted as a correct answer as this is generally accepted as a fixed payment to workers that do not vary as output changes.

Question 17 (b) (i)

(b) (i) Explain what is meant by 'variable costs'.

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[2]

Again, this question did not require a contextual answer, so most correct responses simply stated that 'variable costs are costs that change when output changes'.

Some candidates gave tautological responses using the word 'vary'. If a word, or a similar derivative of that word, appears in the question, then repetition of this cannot be used to demonstrate knowledge or understanding.

Question 17 (b) (ii)

(ii) Calculate how much SP spent on wages in 2018.

Show your workings.

Answer £ [2]

Most candidates attempted this question, but some had little idea of how to calculate a percentage/proportion from the total.

For those who did correctly calculate 35% of the monthly variable costs, the vast majority did not fully read or understand the question and left their answer at £1925. This was, by far the most common answer, and it was rare to find a candidate who correctly multiplied this by 12 to give the total spend on wages in 2018.

Candidates must look at what a question is asking from them to give the full, correct answer and not stop mid-way through a calculation.

Question 17 (b) (iii)

(iii) Analyse **one** change in SP's dry cleaning chemical costs between 2017 and 2018. Refer to Pie charts 1 and 2 in your answer.

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[3]

The data showed that the dry cleaning chemical costs stayed at 20% of the total variable costs. However, by using the total monthly variable costs candidates were able to calculate that the actual value had increased by £220.

Where candidates did not receive full marks, it was often due to a lack of analysis of the change.

Question 17 (c)

(c) Calculate SP's Average Rate of Return (ARR) on the purchase of HD Sewing.

Show your workings.

Answer % [3]

Average Rate of Return (ARR) is a process with a number of steps. In this case, the first step is to identify the income potential from the purchase of HD Sewing. For Stuart and Pippa, this would be the net profit gained from the business. This is HD Sewing's net profit, not SP's net profit. Stuart and Pippa would need to subtract the purchase price of the business to identify their potential profit from the purchase.

For candidates who did establish how the figures should be used, calculations were usually well set out and there were few mistakes in the process.

We were pleased by the number of candidates who did establish how the figures should be used and achieved full marks in a question targeted at higher ability learners. Calculations were usually well set out and there were few mistakes in the process. A certain proportion of candidates, who were familiar with the ARR calculation used in the final stage of the ARR process, attempted to simply apply this formula to HD's net profit, not SP's. This led to an answer of 31.25%, which was not correct. However, in recognition of the relative complexity of the scenario presented, such an answer was rewarded with 2 of the 3 available marks. In addition, any incorrect calculation did not have an impact on marks given for the next three analytical/evaluative questions, as full credit was awarded for logical arguments based on the figure arrived at in this question, as is usual in GCSE Business.

If the stages of calculations were set out clearly, marks could be given for any correct elements or processes, even if the final answer was incorrect.

It should be expected that calculations with multiple marks have a high level of demand. A candidate can expect to spend at least three minutes on a 3 mark question and, as such, there may be multiple pieces of data to be used.

	AfL	<p>This examination has a main focus on operations, finance and influences on a business. However, there is also a synoptic element. Therefore, candidates can be expected to use their knowledge of Component 1 theory in answering questions. In this question candidates were expected to know that the profit from a business is the income for an owner. This is covered by the specification section 1.3 as a feature of different types of business ownership.</p> <p>Centres must prepare their students to expect to use all the relevant theory from the specification in this examination.</p>
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Exemplar 3

Show your workings.

$$\begin{aligned}
 25000 \times 5 &= 125000 \quad \cancel{- 80000} = \\
 &\approx 45000 \div 5 = 9000 \quad \cancel{+ 80000} = \\
 &0.1125 \times 100 = 11.25
 \end{aligned}$$

Answer 11.25 % [3]

This is an example of a correct answer. Reasonably well set out, with the stages of the calculation clear.

Exemplar 4

Show your workings.

$$\frac{\text{Average Annual profit}}{\text{cost of investment}} \times 100$$

$$\frac{2500}{30000} \times 100 =$$

31.25

Answer 31.25 % [3]

This is an example of a candidate who only applied the final stage of the ARR process and used HD Sewing's net profit. This response was given 2 marks.

Question 17 (d) (i), (d)(ii) and (d) (iii)

(d) (i) Analyse **one** reason why SP should buy HD Sewing. Refer to data from Table 1 in your answer.

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[3]

(ii) Analyse **one** reason why SP should buy Fast Stitch. Refer to data from Table 1 in your answer.

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[3]

(iii) Recommend whether SP should buy HD Sewing or Fast Stitch to expand their business. Refer to data from Table 1 to support your judgment.

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.....
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[3]

Questions 17 (d) (i), 17 (d) (ii) and 17 (d) (iii) form parts of a scaffolded question, with each part set out as a different question. This has enabled candidates to focus their answers and not get 'lost' in a longer response.

By answering each question, candidates build up a two-sided response that will demonstrate understanding, application, analysis and, in the final question, evaluation.

The data provided good arguments for the purchase of HD Sewing as well as Fast Stitch. Candidates needed to use their understanding and decide which data and arguments they could best apply.

The most common argument for the purchase of HD Sewing was the higher net profit per year.

The most common argument for the purchase of Fast Stitch was the lower purchase price.

All three questions instructed candidates to refer to the data in Table 1 in their answer. This required the use of specific figures to support the analysis and evaluation and gain application marks for these questions. Candidates were not further penalised if any incorrect figures derived from previous answers were used, as long as these were used correctly within the context of the relevant question.

In Questions 17 (d) (i) and 17 (d) (ii), analysis required candidates to show the effect of this data on SP. For example, a higher net profit from the purchase of HD Sewing could lead to a better income for Stuart and Pippa and may lead to the investment meeting Pippa's return within five years. Likewise, a lower purchase price for Fast Stitch would be less risk for SP, leading to Stuart and Pippa having a better chance of success and more capital available for further investments.

Question 17 (d) (iii) required evaluation skills only. All 3 marks are for evaluation and no other skill areas were rewardable. A good answer contained a recommendation with justification that was valid in the context of the data from figure 1. Again, there needed to be reference to the data, but actual figures did not need to be quoted as part of the justification.

Most candidates made a recommendation about whether SP should buy HD Sewing or Fast Stitch.

	Misconception	When a question instructs a candidate to make a recommendation, a judgement must be made. Marks will not be rewarded if candidates 'sit on the fence'. The command word of 'recommend' is a clear instruction to make a decision.
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Question 18 (a)

Text 3**Marks and Spencer plc**

Marks and Spencer (M&S) is one of the UK's leading retailers. It is committed to making every moment special for its customers, through its high quality, own-brand food, clothing & home products.

M&S has an ethical programme called 'Plan A'. This was relaunched in 2017 with three new objectives for 2025:

1. 'Nourishing our wellbeing' – including looking after staff and their needs.
2. 'Transforming local communities' – including supporting staff who want to volunteer in charities.
3. 'Caring for the planet we share' – including developing better recycling for packaging.

In 2017, 60% of M&S's revenue came from the sale of food, which it sells through its 1025 UK stores as well as through e-commerce on its website.

The majority of the food it sells comes from one of its 283 'food factories' located around the country. The Montana Bakery is one of these factories. It produces speciality breads, rolls, garlic breads and pizza bases for retailers and sandwich makers. The bakery has grown and has moved to a larger factory, where it is considering switching from batch production to flow production and automating some of the production.

(a) Identify **one** disadvantage to M&S of selling its food using e-commerce.

.....
.....

[1]

The focus of this question is a disadvantage to Marks and Spencer. Too many candidates gave a disadvantage to the consumer of buying food using e-commerce, such as it not being fresh. Whereas a disadvantage to Marks and Spencer might be the loss of customers that might result from this.

Question 18 (b)

(b) Analyse how M&S's 'Plan A' ethical programme may impact on the profitability of the business.

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.....
.....

[3]

Candidates could usually show some understanding of how ethics could impact on the profitability of a business and often applied this to Marks and Spencer's 'Plan A' ethical programme. However, many candidates struggled to analyse how this would impact on the profitability of the business. There was a great deal of confusion between an impact on profit, such as revenue increasing or costs decreasing, and an impact on profitability. To show an impact on profitability, there needed to be an understanding that the difference between costs and revenue was either increasing or decreasing.

Exemplar 5

By looking after staff it may increase their motivation. This as a result may increase their productivity which could lead to an increase in sales and further profit. However by researching and developing better ~~factories~~ recycling this may be expensive for the business because new recycling factories would have to be built, making it less profitable as there are higher costs.

This is a good example of a candidate who has shown the impact on profitability (not just profit) but analysing the impact on the difference effects on both revenue and costs. The candidate has used the data in Text 3 by linking it specifically to the recycling element of Marks and Spencer's Plan A.

Question 18 (c)

(c) Analyse **one** reason why quality is important to M&S.

.....

 [3]

This is another example of an analysis question that requires understanding, application and analysis of the effect on the business, in this case Marks and Spencer.

Candidates struggled to apply the data in Text 3 to this question, often being quite generic about it affecting the reputation of the business.

Those candidates who knew that quality meant 'fit for purpose' found more context to apply to their answer. Marks and Spencer selling food means that there is a legal aspect to the importance of quality for Marks and Spencer, as well as the reputational effect.

Question 18 (d) (i)

(d) (i) Analyse **one** advantage and **one** disadvantage to the Montana Bakery of switching from batch production to flow production in the new factory.

.....

 [6]

Although this is a 6 mark question, the skills required are the same as two 3 mark analysis questions. Most candidates separated their answers clearly giving their advantage followed by their disadvantage.

Most candidates could identify an advantage and a disadvantage of switching from batch to flow production. Many candidates could then analyse the possible effects on the Montana Bakery, both good and bad of the switch.

However, applying the understanding and the analysis to the specific data about Montana Bakery proved to be more difficult. The most commonly used piece of data was the variety of products that Montana makes, however automation of the new factory and the speciality nature of their products were also fairly common pieces of context to be applied.

Exemplar 6

A disadvantage is if there is a problem in one part of the assembly line, it affects how the rest of the line operates. [6]
 This will reduce the amount of bread made and may mean they are not able to reach demands of the shop buyer on time. So they may lose them. If this occurs, they will miss out on a lot of profit as while it is fixed no bread can be made for shops and no bread can be sold.

This is a good example of a response (just the disadvantage) that has understanding of a disadvantage of switching to flow production (one problem will affect the whole line), in context (the use of an assembly line and that it is based on bread) and analysis of the effect on Montana Bakery (inability to supply the demand, lose customers and potential profit).

Question 18 (d) (ii)

(ii) Recommend whether the Montana Bakery should switch from batch production to flow production in the new factory.

.....

 [3]

This is another question where only evaluation skills can be rewarded. A good answer had a recommendation over whether Montana Bakery should switch or not (and either judgement was perfectly acceptable as a valid response) with a contextual justification. As with previous evaluation marks, the evaluation did not need to, nor should it, repeat the analytical points that had been made. However, they can be referred to as part of the answer.

More candidates chose to recommend not to switch, than recommended to switch from batch to flow production. Again, good justifications were rooted in the data from Text 3. One of the most powerful ways to justify a judgement is using phrases such as 'depends on'. In this case it could depend on whether Montana Bakery wants to continue making the range of speciality breads that it currently supplies. Alternatively, it could depend on the relative importance of cost versus quality in this market for Marks and Spencer's business in the bread market. Candidates will always find help from the context to justify their judgements, and this should be the starting point for deciding what to recommend and how to justify it.

Question 18 (e)

(e)* Evaluate how the ethical treatment of workers may have an impact on the motivation and retention of M&S's staff. [9]

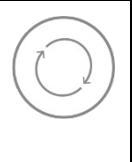
One of remits of this examination is to synoptically test knowledge from the whole of the specification. This is a requirement of component 2 and also brings in section 7 of the specification content, the interdependent nature of business.

This question has three interdependent areas of knowledge and understanding; ethical treatment of workers (component 2 material), motivation and retention (component 1 material). In this question, and this question only for this examination, application marks are given for applying component 2 content to knowledge acquired from component 1. This requires applying how Marks and Spencer's ethical treatment of workers may impact on, firstly motivation and secondly retention. Once applied, these impacts need to be analysed for their effect on Marks and Spencer's staff.

Most candidates could apply their knowledge of ethical treatment to motivation and many could also show how it would affect retention. Some candidates were then able to analyse the effect on the employees and Marks and Spencer.

However, candidates found the skills of knowledge and evaluation more difficult in this question. For the 9 mark question, it is essential that all relevant skills are demonstrated by candidates. This will always be the case in this examination.

Candidates who achieved full marks usually started with a simple definition of ethics or ethical treatment, followed by an example. This attracted the knowledge mark (AO1a) and the understanding mark (AO1b). Application of ethical treatment to motivation and then retention gained both application (AO2) marks with subsequent analysis of the effect of both on the business gaining another 2 marks (AO3a). Most good answers concluded with a judgement over the level of impact that ethical treatment would have with a justification of the impact on both motivation and retention required for all 3 evaluative marks (AO3b). Although the skills could have been demonstrated in any order, a logical path through the skills, such as the one described, meant that candidates could quickly and effectively gain their marks in the time and space available in the examination paper.

	AfL	<p>The 9 mark question will always require all of the five skill areas (knowledge, understanding, application, analysis and evaluation) to be demonstrated to gain full marks. These cannot be implied but must be explicit in a candidate answer.</p>
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Exemplar 7

Ethics is what is morally correct and incorrect. For example not giving workers breaks is bad ethics.

A simple introduction using a definition and example attracts both the knowledge and understand marks. The exemplar above does this in a quick sentence, setting up the rest of the answer to address the subsequent skills.

Exemplar 8

Overall ethical treatment will have a positive impact on M&S workers however due to increase costs within the business costs may have to be cut elsewhere such as staff wages which may make them unhappy and lower retention.

A concluding paragraph is not the only way to gain evaluative marks, but it is often the easiest. The exemplar above has a judgement (that the impact will be positive) with a justification that this depends on the increase in costs and whether this will affect future motivation and retention.

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