

GCSE (9–1)

Examiners' report

BUSINESS

J204

For first teaching in 2017

J204/01 Summer 2022 series

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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. A selection of candidate answers are also provided. 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 and the mark scheme can be downloaded from OCR.

Advance Information for Summer 2022 assessments

To support student revision, advance information was published about the focus of exams for Summer 2022 assessments. Advance information was available for most GCSE, AS and A Level subjects, Core Maths, FSMQ, and Cambridge Nationals Information Technologies. You can find more information on our [website](#).

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Paper 1 series overview

Teachers appear to have used OCR resources (including the practice paper and previous live papers available online from OCR) to good effect.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> demonstrated a breadth of knowledge across the topics on the specification (especially in Section A) applied their responses in Section B to the contexts given in Texts 1–3 used clear and logical chains of argument to demonstrate analytical skills gave detailed, contextual reasons for decisions made on questions testing evaluative skill used the numerical data given in Text 3 when answering Question 18 (d) 	<ul style="list-style-type: none"> left one or more multiple choice questions blank gave generic responses to questions in Section B, rather than contextually specific responses gave brief responses with no attempt to explain or analyse points made made decisions when required by the questions but gave limited or no reasons to support these decisions made no reference to, or use of, the numerical data given in Text 3 when answering Question 18 (d).

Section A gives time for candidates to settle into the examination. This section of the paper was generally well answered by most candidates. Some candidates lost marks by leaving an MCQ blank. Candidates should indicate a response to all 15 questions. A minority of candidates also lost marks because the letter written in the box was unclear. Candidates should not alter an answer by writing over it – (for example changing a B to a D, or vice versa). In such cases it is not possible for the examiner to know which letter was the last to be written. If a candidate wishes to change their answer they should fully cross out their original response and replace it with their new selection, if necessary this should be written to the side of the box provided.

OCR support



Candidates should have plenty of practice at answering multiple choice questions throughout their programme of study. OCR has produced lots of practice multiple choice questions for centres to use. These can be accessed [here](#) and selecting 'Teaching activities'. The resource organises the practice multiple choice questions by topic.

For Section B it is important for candidates to remember that questions which include the name of the business in their wording should show evidence of application of understanding (i.e. candidates should give a response which is applied to the business detailed in Texts 1–3). Each text includes important details about one specific business which can be used to gain application marks.

In this specification 'application of knowledge and understanding' refers to the use of context, and not simply the mentioning of context. A name drop of the business, relevant personnel or the product/service the business offers is insufficient for the award of application. The candidate must use the context in their response i.e. the contextual reference must add something cognitive to the response. Answering such questions in a theoretical or generic way could severely limit the number of marks that the examiner can award to the candidate. As per the specification 32% of marks on this paper are reserved for application of knowledge and understanding.

Each of Questions 16–18 contain at least one 'analyse' question and at least one 'evaluate'/'discuss'/'recommend' question. To increase candidate accessibility to marks, these skills are independently assessed and so, for example, a candidate may gain full marks for evaluation without any analysis (or

vice versa). It is, therefore, important that candidates are clear in the difference between the two skills; to achieve maximum marks they will need to fully demonstrate both skills i.e. analysis and evaluation.

What is analysis?

Analysis requires candidates to present a chain of reasoning. The chain of reasoning should begin with an appropriate point which answers the question and end with at least one impact on the business of this particular point.

There must be a logical link in the chain of argument between the initial point being made and the analytical development. If a candidate's initial point was about 'reaching more customers' then by a logical chain of argument they could arrive at 'more revenue' as the business-facing impact of having more customers. However if a candidate's initial point was about 'reduced costs' then 'more revenue' could not be awarded as a direct analytical development because there is no logical link between reduced costs and making more revenue. An answer whose initial response was 'reduced costs' could be adequately analysed by chains of argument which include lower cash outflows, higher profits or more funds being available for expansion.

The maximum tariff for analysis on any question on this paper is 2 marks. Therefore even on the highest tariff questions only two analytical points are needed to achieve the maximum marks awardable for this skill.

It should be noted, however, that the skill of analysis is tested many times on the paper including questions using the command word 'analyse' and questions using the command word 'evaluate'.

What is evaluation?

Evaluation requires a supported judgement to be made. The question wording may use 'discuss', 'evaluate' or 'recommend' – all these require a justified, reasoned, argument to be put forward.

The decision reached should be explicitly stated. Reasons for this decision should be made clear, with reference to contextual argument where possible.

Each time the skill of evaluation is rewarded on this paper, it has a tariff of 3 marks.

Candidates should be encouraged to reach decisions and give reasoned justification to support their argument using contextual information. While a valid justification that applies to most businesses would achieve 2 of the available 3 evaluation marks, a response which argues using the particular circumstances of the business in the text would be deemed stronger and would be awarded the full 3 marks available.

The 9 mark question on this paper (Question 18 (d)) includes the testing of candidate ability to interpret and use numerical data. 2 marks (application marks) were reserved for this purpose. For an award of 9, candidates are required to show that they have used the numerical data given – in this case the market share/size data and/or the number of owners. Those that did not explicitly use the numerical data could still achieve 7 of the available 9 marks.

The range of questions presented on this year's examination paper gave candidates of all abilities the opportunity to demonstrate their understanding. Most candidates had at least, attempted to answer all of the questions set, with a consequent very low question omit rate across the paper (with the exception of Questions 18(b) and (c)(ii)). The questions addressed a wide range of topics taken from the specification and were a true test of a candidate's ability to apply their knowledge and understanding to how businesses operate. The higher tariff 7 and 9 mark questions gave high ability candidates the opportunity to fully demonstrate their understanding using contextual application, analysis and evaluation; and many achieved full marks.

Section A overview

The majority of multiple choice questions were well answered. Only three questions appeared to cause difficulty (Questions 5, 7 and 12).

Question 5

- 5 A furniture manufacturer's marketing mix identifies:
- A how to reduce risk when selling its furniture online
 - B the distribution channels for its tables and chairs
 - C the quantity of wood and materials to reorder
 - D which model of gaming chair customers prefer

Your answer

☐

[1]

This question was testing understanding of the marketing mix. The correct response to the question is (B). Candidate answers were fairly evenly split over all four options. This suggests a lack of clarity regarding the 4 Ps of the marketing mix, and in particular 'place'. 'Place' includes the distribution channels for products and services produced (be they physical or digital).

Question 7

- 7 A business requires job applicants to submit a CV rather than an application form.

Which of the following is an advantage for the business of requiring a CV?

- A Applicants are less likely to leave out essential information
- B Applicants can explain why they are suitable for the job
- C It requires the applicant to provide the names of two referees
- D It shows an applicant's ability to organise relevant information

Your answer

☐

[1]

This question was testing understanding of the use of a CV as a human resource selection method. The correct response to the question is (D). Of those candidates who got this question wrong, by far the most common incorrect answer was (A). Certainly a CV is less restrictive and can allow an applicant to express themselves more fully, but this does not necessarily mean that all essential information will be included.

Misconception

A CV does give applicants the opportunity to provide greater detail than they may be able to include in a standard application form. However, this does not necessarily mean that the applicant will include all essential information. In fact, it could be argued that the prompts on an application form make including all essential information more likely on a form than on a CV.

Question 12

12 An interview is an example of:

- A** a primary market research method
- B** a recruitment method
- C** a training method
- D** an informal communication method

Your answer

[1]

This question had the greatest proportion of incorrect responses of all the multiple choice questions. The specification lists four primary market research methods of which an interview is one (the other three being questionnaires, trialling and focus groups). Of those candidates who got this question wrong, the most common incorrect response was (B). This suggests potential confusion between the terms 'selection' and 'recruitment'. While interviews can be used, and frequently are, as methods of selection they are not methods of recruitment. The specification provides further details.

Section B overview

Candidates should use the information provided in each of the Texts when answering the questions in Section B.

Question 16 (a)

16

Text 1

Dyson

Disappointed with the performance of vacuum cleaners on the market, James Dyson thought he could design a better product. He started to create his first vacuum cleaner in the late-1970s. In 1984, after trying thousands of designs over several years, James Dyson launched a bagless vacuum cleaner in partnership with Amway, a US consumer goods manufacturer. This partnership did not work out, so James Dyson formed his own company in 1991.

Today, Dyson Ltd produces a range of home appliances including vacuum cleaners, hand dryers, heaters, hair dryers and lights. Creating new and innovative products continues to be important for the company, as seen by its expanding product range. The company has over 12 000 employees worldwide. Dyson Ltd has a unique organisational structure.

All new employees of Dyson Ltd go through an induction training programme. In addition, the company encourages employees to progress by offering apprenticeships and other staff development opportunities. James Dyson promotes careers in engineering, both in schools and in universities.

(a) Explain **one** reason why businesses have different organisational structures.

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..... [2]

Examiners were looking for a reason why businesses organisational structures differ. By far the most common correct response related to the size of the business/number of employees. Other common responses included the need for creativity and a business's aims and objectives. Answers such as 'large businesses tend to have many layers' or 'creative businesses tend to have flat organisational structures', scored full marks.

Those candidates who scored less well on this question tended to talk about different organisational structures, e.g. tall/flat or long/short chains of command, but did not give the reason for the difference.

Question 16 (b)

(b) Explain **three** entrepreneurial characteristics that have supported James Dyson's success.

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[6]

This question was generally well answered. To achieve full marks candidates needed to name three entrepreneurial characteristics and explain how these applied to James Dyson. There was plenty of information in paragraph 1 of the Text to support their responses.

Those candidates who did less well almost invariably suggested suitable characteristics but then developed their responses by explaining the meaning of the terms (e.g. creativity means being good at design), rather than how this applied to James Dyson.

Exemplar 1

1 Creativity - he invented a new ~~kind~~ kind of vacuum cleaner

2 Determined - he ~~could~~ tried thousands of designs before one worked

3 Risk taking - by starting his own business and leaving his partnership not knowing if it will succeed

In each case the candidate clearly identifies an entrepreneurial characteristic and then explains (using information supplied in the text) how James Dyson had demonstrated this characteristic. This achieves full marks.

Question 16 (c)

- (c) Analyse **one** likely reason why Dyson Ltd puts all new employees through an induction training programme.

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..... [3]

Very few candidates seemed clear on the content or purpose of induction training. The majority of candidates suggested some variant around improving the skills of new recruits, this is incorrect. Consequently many scored zero on this question.

Of the relatively few correct responses the most common related to meeting legal requirements, e.g. health and safety and showing the location of specific areas of the workplace, e.g. toilets or changing rooms. Candidates who were able to give a business-facing benefit of doing so, e.g. fewer accidents or improved productivity were also given a mark for analysis. Candidates who were able to apply their response specifically to Dyson were also given a mark for application.

Assessment for learning



Centres are advised to spend sufficient time considering the need for and provision of induction training. Induction training has a different purpose to all other types of training, and is something with which candidates need to be aware.

Question 16 (d) (i)

(d) Dyson Ltd offers apprenticeships as a method of staff development.

(i) Identify **two** other methods of staff development that a business could offer.

1

2 [2]

The specification lists academic qualifications, vocational qualifications and apprenticeships as methods of staff development. However, apprenticeships are excluded as a correct response by the wording of the question. Examiners accepted the terms themselves, e.g. academic qualifications or specific examples of these qualifications, e.g. GCSEs or A Levels.

The most common incorrect responses were 'on-the-job training' and 'off-the-job training'. The specification makes a clear distinction between training (which is relatively short term and narrow) and staff development (which is more long term and wide-ranging). Therefore, on this question, references to various training methods could not be awarded.

Question 16 (d) (ii)

- (ii) Evaluate whether or not Dyson Ltd should continue to offer apprenticeship opportunities.

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..... [7]

The 7 marks for 16 (d)(ii) were allocated as follows: 2 marks for application, 2 marks for analysis and 3 marks for evaluation. Each assessment skill was marked independently, therefore no one skill is a pre-requisite of another. Further details of this mark breakdown can be found on the marking grid for this question in the published mark scheme.

Most candidates managed to achieve at least 1 mark for evaluation i.e. by making a decision as to whether or not Dyson should continue to offer apprenticeship opportunities. Those who were able to justify their decision gained additional evaluation marks. Those whose justifications were deemed good (i.e. valid but non-contextual) were given an additional 1 mark (totalling 2 marks for evaluation) and those whose justifications were deemed 'strong' (i.e. valid and contextual) were given an additional 2 marks (totalling the full 3 marks for evaluation).

To gain application marks (applied understanding) and analysis marks examiners were looking for a discussion of the advantages and disadvantages to a business of using apprenticeships as a method of staff development (rather than for recruitment, training or marketing purposes). Candidates needed to show a sound understanding of the concept of using apprenticeships for the development of Dyson's current workforce to achieve these marks.

Many candidates suggested advantages/disadvantages which were incorrect and, therefore, unrewardable. Two specific types of incorrect response have been identified. The first incorrect type of response related to advantages/disadvantages from the apprentice's point of view rather than from the business's point of view, e.g. 'give them skills to find better jobs in other organisations' or 'require study in own time'. These are advantages/disadvantages to the apprentice rather than Dyson and so could not be awarded. The second incorrect type of response was business-facing but related to taking on apprentices as new recruits or offering them to unemployed school leavers. The question was about apprenticeships for developing Dyson's current staff. Answers such as 'pay lower wages' or 'will show who has the skills to be employed at Dyson' were, therefore, incorrect.

The most common, correct, advantage to Dyson of using apprenticeships to develop its staff was improved motivation leading to greater innovation/productivity/employee retention. The most common, correct, disadvantage to Dyson related to increased costs (including financing the programmes and loss of output due to employees being engaged elsewhere).

Apprenticeships as a form of staff development

On this specification apprenticeships only appear in Section 3.6 staff development. Therefore when considering the role of apprenticeships it is the staff development aspect which needs to be covered, and not the general use of apprenticeship to help (young people) gain qualifications for future recruitment or as a means for a firm to obtain cheap labour.

When apprenticeships are used as a means of staff development the staff are already employed by the organisation and already paid a wage/salary. Selected employees are then given the opportunity to develop further requiring them to spend part of their working time studying and doing other activities, reducing the time available for the duties they perform as part of their normal job role.

A discussion of not only the advantages and disadvantages to a business of offering apprenticeships for staff development, but also the short term versus long term impacts of offering such programmes, would prove helpful to reinforce this area of the specification.

Question 17 (a)

17

Text 2

Heinz

Heinz produces a range of products including baked beans, soups and sauces. The market it operates in is highly competitive. Producing the highest quality product at the lowest cost is critical to Heinz's operations.

The Heinz factory near Wigan is one of Europe's largest food factories, producing over one billion cans of food annually. The work can be quite repetitive, as many tasks are automated, so the human resource managers put a lot of effort into motivating employees.

Heinz promotes its products using a range of advertising methods and is well known for its advertising slogan, "Beanz Meanz Heinz". The company spends a lot of money on developing new product ranges, supported by market research. A new range of healthy pasta products in tomato sauce, aimed at young adults, is about to be launched with the support of an advertising campaign.

(a) State **two** purposes of market research.

1

2

[2]

Generally well answered. Many candidates were able to identify two purposes of market research and achieved full marks. The most common correct responses were to identify gaps in the market, to identify customer needs and to understand the competition.

Those candidates who did less well on this question tended to stray into what the market research data, once collected, might be used for. Answer such as 'to decide how to segment the market' or 'decide how to advertise' could not be awarded as these are the uses of the data once collected.

Question 17 (b)

(b) Explain **three** reasons why employee motivation is important for Heinz.

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[6]

Most candidates were able to give at least one reason why employee motivation was important to a business. Where candidates did less well was applying their responses to Heinz. Lots of information was included in the Text to help them do this. The Text included references to the tasks being automated and repetitive, it also included the need for high levels of output (one billion cans per year) and the need to produce the highest quality at the lowest cost, as well as Heinz operating in a highly competitive market. Any of these points could have been used to turn a generic response into an applied response.

Question 17 (c)

(c) Analyse **one** benefit for Heinz of developing new products.

[3]

This is one of several 3 mark 'analyse' questions on the paper. Candidates were expected to name a benefit and, by presenting a logical chain of reasoning, arrive at the impact of this benefit on the business. To be awardable the analytical point needs to be an impact on the business (rather than an impact on customers, employees or competitors) because the question is worded 'Analyse one benefit for Heinz of ...'. For full marks the response also needed to show application of understanding in context i.e. be specifically applied to Heinz.

Most candidates were able to suggest a valid benefit. These benefits were wide and varied, probably the most common being keeping customers interested, reaching new markets and maintaining brand awareness. Many candidates were also able to suggest the business-facing impact of this, e.g. increased revenue, higher cash inflows, increased market share, etc, gaining analysis marks. Where candidates did less well was applying their response specifically to Heinz. A reference to the new pasta products or the intended targeting of young adults were perhaps the easiest routes to these marks, in addition some excellent responses were received citing the highly competitive nature of the market.

Exemplar 2

.....One benefit of developing ^{new} products is you can gain more
customers and keep them interested. For example a
new range of healthy pasta products in tomato sauce.
This attracts young adults and keeps them interested,
making them inclined to buy Heinz brand. More
people buying these new products and being interested
results in more ^{sales} profit, therefore more ~~sales~~ profits.

This response is a good example of what the examiner is looking for. The opening sentence shows understanding of a benefit to a business of developing new products i.e. to interest customers leading to more of them. This point is then analysed in the final sentence i.e. the positive impact of this on the business is more sales and profit. The response is not generic, it applies specifically to Heinz. Note the references to healthy pasta and young adults. Full marks.

Question 17 (d) (i)

(d) Heinz is launching a new range of healthy pasta products.

(i) Analyse **one** benefit for Heinz of using radio to advertise the new range of products.

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..... [3]

Question 17 (d) (ii)

(ii) Analyse **one** benefit for Heinz of using its own website to advertise the new range of products.

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..... [3]

Question 17 (d) (iii)

- (iii) Recommend whether advertising on the radio or on its own website would be the most appropriate method for Heinz to use when launching the new range of products. Give reasons for your answer.

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..... [3]

Question 17 (d) (i), (d) (ii) and (d) (iii) comprise one question, scaffolded for accessibility. The question is testing candidate understanding of the radio and own website as methods of advertising for Heinz.

In each of questions (i) and (ii) examiners were looking for positive features of the advertising medium. For example, radio can target specific geographical areas or own website can include audio and video. Many positive features applied to both media, e.g. global, wide audience, cost effective. These were accepted and not deemed to be repeat responses.

Once the first mark was secured those who applied their response or gave an impact on the business of this beneficial feature gained additional marks (application/analysis respectively).

Candidates generally did better at (i) than (ii), mainly because their responses were more specific. Some exceptionally good responses were received about the radio being able to reach people while driving or working out at the gym,, etc.

Question (iii) required candidates to select which of these two advertising methods Heinz should use. There was no right or wrong response here, all candidates were required to do for the first of the 3 available marks was to choose one of the methods. Almost all candidates managed this and, thus, gained at least 1 mark. Of the very few candidates that scored 0 on this question, the reason was invariably one of 'sitting on the fence' i.e. arguing for both methods but never reaching an overall decision. Responses that argued they should use both, with no preference for either, could not be rewarded.

The other 2 marks available for (iii) were given for the quality of the candidate's justification of their selection. The justification needed to show how one method was better than the other (rather than just why the method was good). So, for example 'own website chosen because it is audio-visual, rather than a radio which cannot show pictures'. Or, for example, 'radio chosen because it can reach people who are not actively seeking out information about Heinz whereas viewing their website requires active participation by clicking on it'.

To gain the full 3 marks a strong justification was required i.e. one that was both valid and contextual, e.g. 'I recommend using their own website (1 mark) because producing at the lowest cost is critical to Heinz. Advertising on their own website will be cheaper because Heinz will not have to pay additional money to the radio station to advertise the pasta (+2 marks)'.

Question 18 (a)

18

Text 3

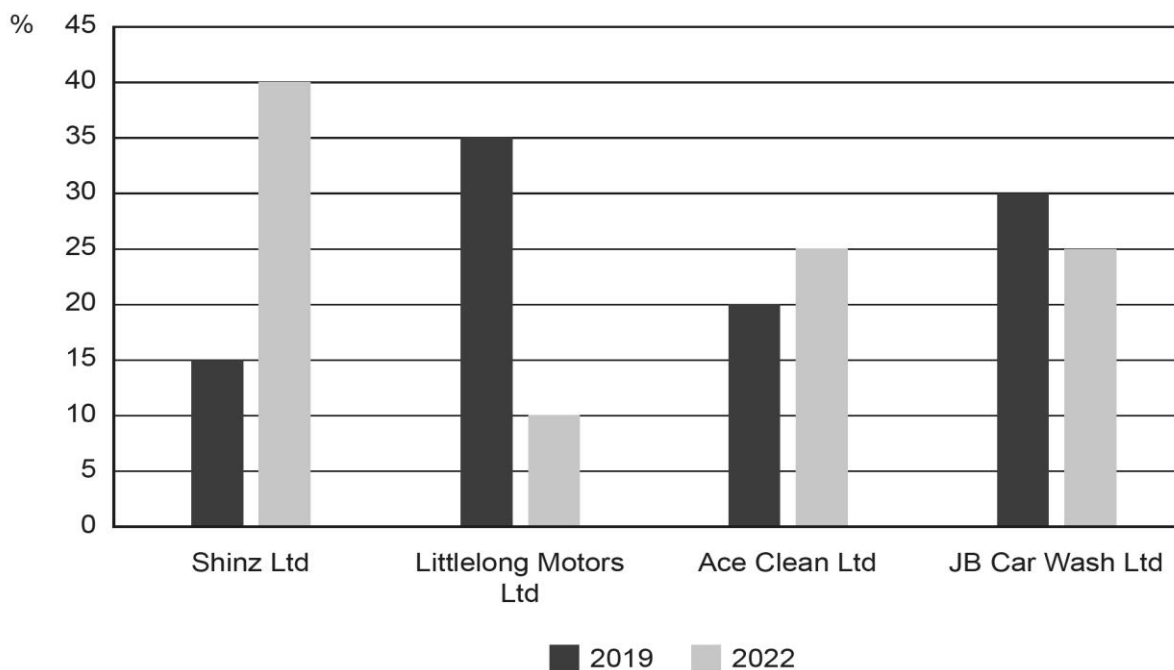
Shinz Ltd

Five years ago, brothers Tom and Amir set up a car washing business called Shinz Ltd in the town of Littlelong. The business has been very successful and currently offers 'economy', 'gloss' and 'high-gloss' washing services. Tom is responsible for the administration, finance and marketing functions. Amir is responsible for the car washing operations and supervises two full-time employees. The prices Shinz Ltd charges are not low when compared to its competitors. Customer service is a priority for the business.

Tom and Amir are keen to expand the business and are planning to launch a new 'resin polish' service, to protect car paintwork during the cold winter months. Many of Shinz Ltd's customers have requested this service. 'Resin polish' is not currently available in Littlelong but is offered by a business in another town five miles away. Tom is considering whether to use competitor pricing or price skimming for this new service.

Littlelong Motors Ltd is a used car retailer. The business has three owners. They have suggested a merger with Shinz Ltd. Littlelong Motors Ltd offers a basic car washing service in addition to its car sales. It prides itself on offering the lowest prices in the town. 26% of Littlelong Motors Ltd's customers are 'extremely satisfied' with the car washing service provided. This compares to 68% of Shinz Ltd's customers saying they are 'extremely satisfied'.

The car washing market in Littlelong is valued at £460 000 per year. The chart below shows the market share of the four car washing businesses located in the town.

Car washing businesses in Littlelong

(a) Identify **one** likely objective of an employee.

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..... [1]

Generally well answered. Examiners were looking for personal objectives of an employee. The most common correct responses were 'promotion', 'wages' and 'job security'.

Candidates who did not gain marks on this question invariably suggested an objective for the business, e.g. profit or greater output.

Question 18 (b)

(b) Analyse **two** disadvantages for Shinz Ltd of operating as a private limited company.

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2
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..... [6]

This question was testing candidate understanding of the disadvantages of being a private limited company. Responses were often inaccurate or, too vague.

Examiners were looking for some specific understanding of this type of ownership which, following a chain or logical reason culminated with the negative impact on Shinz Ltd. For example 'Shares cannot be sold on the stock market (1 mark) this may limit Shinz Ltd's ability to raise capital delaying its planned growth (1 mark) into the resin polish market (1 mark)'.

The proportion of candidates who left the response space to this question entirely blank suggests that more time may need to be given to studying this area of the specification.

OCR support



The textbook "Business – OCR GCSE (9-1)" which is endorsed by OCR and published by Hodder Education is a good starting point for this topic area. The chapter entitled "Business ownership" explains the different types of business ownership, and their respective advantages and disadvantages in a way which candidates can understand. In addition, the chapter contains practical activities for candidates to undertake to reinforce their learning and practice questions to showcase their understanding.

Question 18 (c) (i)

(c) Tom is considering whether to use competitor pricing or price skimming for the new 'resin polish' service.

(i) Analyse **one** advantage for Shinz Ltd of using each pricing method.

Competitor pricing

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Price skimming

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[6]

Question 18 (c) (ii)

- (ii) Recommend which of the two pricing methods Shinz Ltd should use. Give reasons for your answer.

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..... [3]

Question 18 (c) (i) and (c) (ii) comprise one question, scaffolded for accessibility. The question is testing candidate understanding of pricing methods. This question was not well answered.

While some candidates managed to gain a couple of marks for competitor pricing, very few gained marks for price skimming. Two common misunderstandings appeared to be in evidence. First, price skimming apparently confused with penetration pricing with candidates time after time referring to charging very low prices. Second, for those who did understand that the initial price is set high, the benefit was deemed to be that when the price was eventually reduced it would look like a bargain and encourage sales. This is a misunderstanding of the method, the price is set high to make it look in some way superior thus attracting a certain clientele willing to pay a premium gain greater financial returns for the business.

Question (ii) had the greatest number of blank responses of any question on the paper. The question required candidates to recommend which of the two pricing methods Shinz Ltd should use. There was no right or wrong response here, all candidates were required to do for the first of the 3 available marks was to choose one or the two pricing methods. Those who left the question blank did not gain this mark. Almost all other candidates clearly identified their selection and gained at least 1 mark (even if their reason for selection was for totally incorrect reasons).

The other 2 marks available for (ii) were given for the quality of the candidate's justification of their selection. A good justification was given 1 additional mark for being valid but appropriate to most businesses, e.g. 'They should use competitor pricing (1 mark) because they have several rivals they need to gain advantage over (+1 mark)'. A strong justification was given 2 additional marks for being valid and contextual, e.g. 'They should use competitor pricing (1 mark) in order to attract customers away from the rival business already offering the resin polish service in another town five miles away (+2 marks)'.

Misconception



Price skimming is about initially charging high prices not low prices.

The value of the strategy is not in being able to lower prices in future to look like a bargain.

Instead the value of the business centres around the ability to charge a premium for some sort of superiority, thus achieving higher financial returns (revenue/profit) per sale. Albeit, total revenue and overall profit will remain dependant on the number of sales.

Question 18 (d)

- (d)* Evaluate, with reference to the data in **Text 3**, whether Shinz Ltd should merge with Littlelong Motors Ltd.

[9]

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This is the highest tariff question on the paper. The 9 marks were allocated as follows: 1 mark for knowledge, 1 mark for understanding, 2 marks for numerical application, 2 marks for analysis and 3 marks for evaluation. Each assessment skill was marked independently, therefore no one skill is a pre-requisite of another. Further details of this mark breakdown can be found on the marking grid for this question in the published mark scheme.

The question was well answered by most candidates. Most candidates achieved some marks for understanding, analysis and evaluation. Candidates across all ability ranges did less well achieving the knowledge and application marks. For an example of how to achieve the application marks, please see the example below.

For the knowledge mark, examiners were looking for explicit knowledge relating to merging. This could be achieved by stating what a merger is or by using typical merger terminology such as 'diversification' or 'horizontal', etc. It was noticeable that of those that did not achieve this mark, a significant proportion of them appeared to be high ability candidates.

For the understanding mark, examiners were looking for one or more advantages or disadvantages to a business of merging. The vast majority of candidates achieved this mark.

For the application marks, examiners were looking for the use of the numerical data given in the text (as indicated in the question by the phrase 'with reference to the data in Text 3'). A mark was given each time a candidate made use of the numerical data in a calculation (to a maximum of 2 marks). Some calculations were relatively straightforward, e.g. number of owners post change, others were more complex, e.g. change in market share. All were awardable. Candidates were not penalised for incorrect use of mathematical terminology when referring to percentage change.

For the analysis marks, examiners were looking for a logical chain of reasoning which culminated in the potential impact of this merger on Shinz Ltd. Examiners saw lots of reasoning that linked to impacts on sales revenue, profit and reputation; less so (but equally valid) impacts on cash flow, market share and decision-making.

For the evaluation marks, examiners were looking for a clear decision coupled with justification of this decision. There was no right or wrong response here, all candidates were required to do for the first of the 3 available marks was to make clear their decision as to whether Shinz Ltd should or should not merge with Littlelong Motors Ltd. Almost all candidates clearly indicated their decision and, thus, gained at least 1 mark for evaluation. Of the very few candidates that scored 0 for evaluation, the reason was usually one of 'sitting on the fence' i.e. giving reasons for and against the merger but never stating an actual decision, such responses could not be rewarded with evaluation marks. In addition, a small proportion of candidates appeared to answer a slightly different question to the one which was asked, considering which business Shinz should merge with rather than should Shinz merge with Littlelong. Candidates should be encouraged to re-check the wording of the question before making their final decision to minimise the likelihood of such errors.

The other 2 marks available for evaluation were given for the quality of the candidate's justification of their decision. A good justification was given 1 additional mark for being valid but appropriate to most businesses, e.g. 'Shinz should go ahead with the merger (1 mark) because it will increase their market share (+1 mark)'. A strong justification was given 2 additional marks for being valid and contextual, e.g. 'Shinz should not go ahead with the merger (1 mark) its reputation could be negatively affected by Littlelong Motor's poor customer satisfaction ratings, reducing customers and profitability in the long term (+2 marks)'. Some candidates made no attempt at giving reasons for their decision (limiting their evaluation marks to 1 out of 3).

Exemplar 3

If they merged the Shintz Ltd would control 50% of the market share which is worth £230,000 annually. It can also help them

This response is a good example of how a candidate can include quantitative application into their response. In this one sentence this response gains both of the 2 available marks for application. Firstly for calculating that the combined market share i.e. $40\% + 10\%$ equals 50% . Secondly for calculating the value of that market share i.e. 50% of £460,000 equals £230,000.

Incidentally, this one sentence also achieved an understanding mark for showing that one advantage of this merger would be an increase in market share.

Centres are encouraged to reinforce to candidates the importance of using any numerical data given, especially on the highest tariff question on the paper.

Common examples of numerical application evidenced in candidates' responses were:

- The business will now have 5 owners
- Once merged the new business will command a market share of 50%
- Once merged the new business's market share will be valued at £230,000
- In the last 3 years Littlelong Motor's market share has fallen by 25% (accepted as meaning fallen by 25 percentage points)
- In the last 3 years Shinz's market share has almost trebled
- Shinz's customer satisfaction ratings are 42% higher than Littlelong Motor's (accepted as meaning 42 percentage points higher)
- Shinz's current share of the market is valued at £184,000

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