OCR
Oxford Cambridge and RSA

GCSE (9–1)

Examiners' report

BUSINESS

J204
For first teaching in 2017

J204/02 Summer 2023 series

Contents

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 is 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.

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Paper 2 series overview

The examining team for this paper reported that, overall, it was very accessible, although there were some challenging topics, notably finance, procurement, and break-even. The paper was effective at differentiating between lower and higher performing candidates.

Higher performing candidates showed clear evidence that they had been well prepared with regards to the examination structure, meaning that they showed the skill of knowledge or understanding first which then allowed the opening up of the rest of the marks in many questions. There are still some areas where centres need to be clearer when preparing candidates. This is especially true with regards the 9-mark final question, to make sure candidates can access all the marks available.

A significant differentiating factor is that many candidates are still not always including suitable application of context in the answers which require it. This limits the marks which can be given. Many lower performing candidates had significant gaps in their knowledge and so did not attempt some of the questions; Questions 16 (d) (i), 17 (d), 18 (b), 18 (c) and 18 (d) – the more challenging topics mentioned above – had high omit rates.

The standard of handwriting was a concern, with some candidate scripts very difficult to read. In some cases, candidates who had been provided with a laptop still ended up writing their answers by hand which proved to be very difficult to read.

As always, this report should be read in conjunction with the published mark scheme which contains clear guidance on what was, or was not, given in each question.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
- made good use of the three texts to contextualise answers, where this was required - had wide-ranging knowledge and understanding of most of the specification - wrote brief answers which were focused on the question - scored 10 or more marks in Section A.	- missed out significant numbers of questions - did not show the necessary understanding in questions before attempting to show analysis or make use of the context - did not appear to know what skills were required in each answer - did not read the question carefully enough.

Section A overview

Performance in this section was at a slightly lower level than in previous papers. There was also an increased number of NR (nil response) answers. Centres should suggest to candidates that it is logical to always make an attempt at a multiple-choice question. Even if they do not know the answer, they have a one in four chance of still getting it correct – there is no negative marking.

There was also evidence of poor handwriting when answering these questions which sometimes made crediting marks difficult. This included where candidates attempted to populate the answer box with a second letter without clearly deleting the first attempt. If an examiner is unable to decide what is the candidate's final answer, then it will not be credited.

Four of the multiple-choice questions proved to be significantly challenging, with less than half of candidates gaining the correct answer in each case.

Question 2

2   Which of the following is **least** likely to be a reason for a business to need finance?

   A   To decrease the size of the workforce

   B   To extend a marketing campaign

   C   To increase the size of its factory

   D   To reduce the amount of stock it purchases

Your answer [ ]   **[1]**

This question required candidates to know what a business may **not** need finance for. Just under half of the candidates selected the correct answer of D – if stock is being reduced then less finance would be needed to purchase it. However, a significant number of candidates selected A as their answer. This suggests that they were less familiar with the need for finance when making staff redundant.

Question 6

6   Financial data for Pilti plc in 2022 is shown below.

-    Revenue   £44 million
-    Expenses   £12 million
-    Net profit   £14 million

Pilti plc's gross profit in 2022 was:

A   £18 million

B   £26 million

C   £32 million

D   £58 million

Your answer   ☐   **[1]**

The concept and calculation of gross profit is a financial topic. However, less than one in five candidates selected the correct answer of B. An answer of C proved to be the most popular wrong answer chosen. This shows a lack of knowledge about the difference between gross and net profit. If Net profit = Gross profit – Expenses, by rearranging the formula, Gross profit = Net profit + Expenses. An answer of C suggests that candidates wrongly believed expenses to be the same as cost of sales.

Question 11

11 Riley runs his own cleaning business. He wishes to keep supply costs as low as possible.
    The table below shows the price of cleaning fluid at four possible suppliers.

	Supplier 1	Supplier 2	Supplier 3	Supplier 4
Quantity	100 litre barrels	200 litre barrels	1000 litre barrels	2000 litre barrels
Price	£80	£100	£600	£800

The lowest cost that Riley can obtain 1200 litres of cleaning fluid from one supplier is:

A   £480

B   £600

C   £700

D   £800

Your answer ☐   [1]

This is a quantitative question which around half of candidates answered correctly. If Riley is trying to buy the cleaning fluid as cheaply as possible then he would buy 6x200 litre barrels at a cost of £600 – answer B.

An answer of A was the most common wrong answer. As it is not possible to buy 1200 litres using any combination for this cost, it is assumed that candidates 'guessed' and chose the lowest number.

Question 12

12 The net profit margin of a business has increased from 6% in 2021 to 9% in 2022.

Which of the following **must** be true for this business?

A Expenses have fallen by 50%

B Net profit has increased by 3%

C Profitability has increased by 50%

D Revenue has increased by 3%

Your answer ☐   **[1]**

This was the least well answered multiple-choice question. Net profit margin is a measure of profitability. If it has increased from 6% to 9% this is an increase of 50% (an increase of 3 from a starting point of 6 is a 50% increase).

Although each of the other three answers were popular, the most common wrong answer was B. This suggests that candidates did not know the difference between 'net profit' and 'net profit margin'.

Section B overview

Performance across Question 16 and Question 17 was of a similar standard. However, performance on Question 18 (containing the more finance-based questions) was less strong.

Many candidates did not gain some of the marks by not having knowledge about key topics such as quality, e-commerce, procurement, ethics, and technology. It would suggest that some centres may be teaching too much technique at the expense of how to acquire and retain basic knowledge.

A limiting factor for many potentially stronger performing candidates is that they are often unable to gain all 3 EVAL marks in Questions 16 (d) (ii), 17 (f) (ii), 18 (c) (ii) and 18 (d).

Question 16 (a) (i)

16

(a) (i) Explain **one** production process a business may use when making its products.

....

....

....

.... **[2]**

> Most candidates were able to name one of the three main production methods. Occasionally the term was not well explained.
>
> Some candidates only explained the process without naming it and therefore did not gain any credit. Flow and job production were more accurately explained than batch.

Question 16 (a) (ii)

(ii) Explain **one** method that a business could use to ensure the quality of its products.

....

....

....

.... **[2]**

> Some answers did not name a specific method for ensuring quality, as required by the question. This prevented any marks from being given. There was also some confusion about the difference between quality control and quality assurance, with some candidates' explanations being for the wrong term. This all meant that less than half of the candidates gained both marks on this question.

Misconception	
?	Many candidates continue to mix up quality assurance and quality control or are unaware of the precise titles used in the specification. This misconception can be addressed through key terms lists, etc. in lessons.

Question 16 (b)

(b) Analyse **one** reason why keeping variable costs low may reward Zara's owners.

....

....

....

....

....

.... **[3]**

This was the first question on the paper which required a contextual answer. Without this context, the answer is limited to 2 marks (see exemplar 1).

Another weakness in many answers was that they were not focused on how keeping variable costs low would <u>reward Zara's owners</u>. Many answers wrongly focused on the benefit to customers or employees. Ultimately, keeping variable costs low may help to reduce prices or increase profits, but the owner receives no reward for this unless it affects dividends or the value of the business (through expansion).

A number of candidates also wrongly tried to suggest that revenue would be affected by having lower costs.

Exemplar 1

By keeping variable costs low Zara are hoping ~~ensuring~~ that they will have less total ~~fe~~ costs leading to both a lower breakeven point ~~tas~~ well as increased revenue. This is good as it can help the ~~te~~ owners get a higher profit as well as them being able to use this profit to expand and grow there business.

This response contains clear understanding by referring to 'less total costs' and shows analysis by identifying the impact of Zara's owners ('able to use this profit to expand and grow there [sic] business').

However, it is ultimately a generic response, as it could apply to any business. Responses needed to be specific to Zara. For example, reference could have been made to '2270 stores', 'online sales increased by approximately 70%' or 'buying fabric in large quantities' to support the response.

Using context in answers

In Section B, some questions require answers to make specific use of the context provided in each text, others do not. This is always made very clear in the question by reference to the name of the business (see Question 16 (b) or Question 16 (d) (ii) as examples). Questions which require only a theoretical answer simply mention 'a business' in the question (for example, Question 16 (a) (i) or Question 16 (a) (ii).

Question 16 (c) (i)

(c) (i) Calculate the percentage decrease in Zara's sales revenue between 2019 and 2020.

Show your workings

Answer ....

[2]

This question was generally well answered with more than half of candidates gaining full marks. However, many candidates after calculating the change in revenue of €5,825m did not know what to do. Some used the wrong denominator or inverted the formula. As long as working was clearly seen to arrive at a figure of €5,825m this answer was still given 1 mark.

Question 16 (c) (ii)

(ii) Explain **one** possible advantage to a business of selling its products via e-commerce.

....

....

....

.... **[2]**

Generally well answered, with most answers focused on the 24/7 nature of e-commerce or the wider audience. It was necessary for candidates to show that their answer was clearly linked to e-commerce so that answers of 'being able to sell more products' gained no reward without this link.

Some answers were from the customer's point of view, rather than a business. Candidates need to make sure they read the question carefully.

Question 16 (d) (i)

(d) (i) Identify **two** roles of the procurement function in a business.

1 ....

2 ....

[2]

Around one in five candidates gained these 2 marks. However, a similar number did not attempt the question.

More than half of candidates did not know what was meant by the 'procurement function' with many answers linked to finance or marketing.

Question 16 (d) (ii)

(ii) Evaluate the importance to Zara of having reliable suppliers in the supply chain for its clothing.

....

....

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....

....

.... **[7]**

This is one of two questions on the paper which requires an extended response and assesses the skills of application, analysis, and evaluation. There were some excellent answers which made good use of the context provided about Zara's reputation for speed and frequency, changing designs every two weeks, and having suppliers across the world.

Weaker answers were often very brief and about a third of answers did not contain any context. Many candidates also made no attempt to evaluate, with very few gaining all 3 marks for evaluation. An answer needs to come to a supported decision which makes use of the context <u>in the evaluation</u> to gain all 3 of these marks.

Assessment for learning

Centres are reminded that there are only 2 marks in this question for both analysis and for application. This means that candidates are advised to only consider two points about the need for reliable suppliers. Some better candidates wasted time by considering three or more points which, although correct and well written, could gain no more than 2 marks each for analysis and application.

Question 17 (a)

17

    (a) Identify **two** ethical considerations a business may have.

       1 ....

       2 ....

                                                                                          [2]

Although there were plenty of correct answers to this question, around three quarters of candidates gave at least one answer which is a legal requirement (e.g., minimum wage, discrimination, or making a safe product) or an environmental issue (e.g., recycling or fossil fuels). This confusion about what constitutes ethics has been raised in previous reports and centres need to make sure the topic is better understood by candidates.

Misconception
?   Candidates continue to mistake legal, environmental, or social issues for ethics. Ethics considers what is the 'right' or 'fair' thing to do, rather than what is legally required.

Question 17 (b)

    (b) State **two** reasons why quality in the production of goods is important to a business.

       1 ....

       2 ....

                                                                                          [2]

This question was well answered with most candidates being given full marks for both of their answers.

Question 17 (c)

(c) Analyse **one** reason why it is important to AZ that its call centre employees have good product knowledge.

....

....

....

....

....

.... **[3]**

This question was generally well answered, although many answers did not contain any use of the evidence provided in Text 2 (other than naming the product), so limiting the mark that could be given to 2.

What is context?

Where a mark (or more) is given for application to the context, this context MUST come from the text provided with the questions. However, the name of the business and the product(s) it produces or sells is not context. In addition, anything mentioned in the question or stem to the question cannot be given as context.

Question 17 (d)

(d) Calculate AZ's gross profit margin for 2021.

Show your workings

Answer ....

[2]

Although nearly half of candidates gained the correct answer and full marks, this second calculation in Section B was less well answered than Question 16 (c) (i). Mistakes were made with regards to rounding of the answer and including the wrong or no units.

Question 17 (e)

(e) Explain **one** way technology might affect production at AZ.

....

....

....

.... **[2]**

Some candidates did not read this question carefully enough, giving answers that were not about production. For example, many answers considered how technology would help with selling online. This ultimately led to less than a quarter of candidates being given full.

Otherwise, most candidates were able to provide a way in which technology could affect a business, but many did not say how it would specifically help AZ.

Question 17 (f) (i)

(f) **(i)** Analyse **one** advantage and **one** disadvantage to AZ of operating as a multinational company.

Advantage ....

....

....

Disadvantage ....

....

....

[6]

Many answers about the advantages and disadvantages were narrow in their scope. Being a multinational company is more than just being able to sell abroad. Any business can sell to more countries without being a multinational (especially nowadays with platforms provided by online marketplaces, such as Amazon). What makes a business a multinational is that it **operates** (not just sells) in more than one country. This means that advantages should be focused on the ability to spread risk, take advantage of costs in low-cost countries, or benefit from lower tax levels or ethical standards in a host country. The stronger performing candidates took this route in their answers.

Answers about disadvantages were often better linked specifically to being a multinational, including legal differences (especially an issue in the pharmaceutical industry) and the specific communication issues of operating a large organisation spread around the world.

Assessment for learning

The topic of multinationals needs careful consideration by many centres. The focus needs to be less on the ability to increase sales or profits and more on the specific benefits or problems of operating in many countries and the issues surrounding the coordination of this.

It is hoped that when this topic is next assessed that candidates are better prepared to write answers about 'being a multinational' rather than the 'benefits of selling abroad' – the latter can be done by any business, large or small.

Question 17 (f) (ii)

(ii) Recommend whether AZ should continue to operate as a multinational company.

....

....

....

....

.... **[3]**

The majority of candidates scored at least 2 marks on this evaluation question.

Most candidates decided that it was best for AZ to continue as a multinational, although this was not always justified and often did not contain context.

Question 18 (a)

18

(a) State **one** reason why cash is important to a business.

....

.... **[1]**

The use of cash by a business is, to be fair, significantly different in the modern world than many textbooks suggest. However, half of the candidates did not know how to answer this question and either left it out or answered generally how cash was needed to 'run the business' which gained no credit.

Correct answers recognised that cash was needed for <u>short-term</u> funding issues (some candidates did refer to liquidity or cash-flow) as opposed to long-term issues, such as expansion.

Question 18 (b) (i)

(b) (i) Analyse how GK can use the break-even level of output for its Deluxe range.

....

....

....

....

....

.... **[3]**

There were a small number of very good answers to this question which recognised that break-even was used to identify when loss turns to profit and that by knowing GK needed to sell at least 29 kitchens it could calculate margin of safety or make decisions about marketing or pricing.

Many of the weaker answers were limited by using the phrase 'break-even' in their attempt to show understanding (for example, 'it helps the business know when it reaches break-even'). A term cannot be explained by using the same term. The inability to show any understanding of what break-even is meant that a majority of candidates gained no marks.

Question 18 (b) (ii)

(ii) Analyse **one** limitation to GK of using break-even when making decisions about its Deluxe range.

....

....

....

....

....

.... **[3]**

Most of the few correct answers focused on the fact that data would be estimated when calculating break-even (although answers which suggested this data was wrong or inaccurate did not gain any credit). However, fewer answers made use of the context or were able to consider the impact of this on GK (such as the need to change sales targets). This all led to less than half of candidates gaining at least 1 mark on this question.

Question 18 (c) (i)

(c)   (i)   Analyse **one** impact on GK of the predicted fall in consumer incomes.

....

....

....

....

....

....**[3]**

This question was answered well, with more than half candidates gaining 2 or 3 marks. Better performing candidates were able to gain all 3 marks very quickly by recognising that lower disposable income will mean that consumers cannot afford to buy luxury kitchens.

Some potentially good answers to this question gained no credit as they did not first show understanding of the fall in consumer income. [The mark scheme sets out the fact that in many questions no marks for application or analysis, even if shown correctly, can be given if the understanding is not shown]. This was common in this question, as answers proceeded to refer to the fall in sales of luxury kitchens without saying why this would occur – in this case, the understanding is that a fall in consumer incomes means that those consumers will not have as much money to spend.

OCR support

i   The published mark scheme is a vital source of information to centres. In particular, in the 3-mark analysis questions, it explains the need to show understanding before any further marks can be given.

Question 18 (c) (ii)

(ii) Analyse **one** impact on GK of the forecast change in the unemployment rate shown in **Table 1**.

....

....

....

....

....

.... **[3]**

Many candidates mixed up employment and unemployment, and proceeded to answer the question the wrong way around. Some candidates suggested that a fall in unemployment would mean that GK would now have less employees. This led to nearly half of all candidates gaining no credit for their answer.

Better answers recognised that falling unemployment would make it more expensive to employ more staff and this increase in wages would be bad for the business.

Question 18 (c) (iii)

(iii) Recommend whether the predicted fall in consumer incomes **or** the forecast change in the unemployment rate will have the greatest impact on GK.

....

....

....

....

....

.... **[3]**

This 3-mark evaluation question requires the candidate to make a justified choice between two options. If an answer did not make a comparison between the two options, it could not score more than 1 mark. For example, many candidates decided that consumer incomes would have the greatest impact and provided a justification for this (often in context). However, no attempt was then made to say why it was more significant than lower unemployment.

Better answers did make this comparison (often in quite a sophisticated way) as shown in exemplar 2.

Exemplar 2

The forecasted rate of unemployement shows that it is to decrease. An impact of this would be that GK may gain a larger audience of potential customers. ~~that they so~~ This is due to more people having salaries and incomes, so therefor it is more financially viable for them to buy a kitchen from Glorious Kitchens. This could increase revenue and potentially profits for GK. [3]

This response starts by making the simple decision (1 mark) but then makes a comparison as to why the fall in unemployment is less significant. Suggesting that a newly employed person would be less likely to buy a £15,000 kitchen was a common response (along with many newly employed people still potentially being on very low wages). By making this comparison (1 mark) along with context to support it (1 mark for reference to £15,000) the candidate quickly moves to a full mark response.

Question 18 (d)*

(d)* Evaluate how useful the financial data in **Table 2** is to GK's stakeholders.   **[9]**

The final question on this paper was, as always, a synoptic question linking a topic from J204/2 (financial data) to one from J204/1 (stakeholders).

Many candidates did not attempt to show specific 'knowledge' (AO1a) or 'understanding' (AO1b) of the J204/2 topic within their answer. Knowledge of financial data could be about what it shows (other than what was contained in Table 2), such as profit & loss or cash-flow. Understanding is about what financial data is used for. Approximately only a third of answers achieved each of these marks.

The application marks for this question are application to the synoptic content (stakeholders) **not** the business. However, many candidates wrote their whole answer referring to how 'stakeholders' would benefit, as opposed to considering how named stakeholders would use the data. This prevented the crediting of marks both for application and analysis. Many candidates also confused stakeholders with shareholders. Candidates who did consider at least two <u>named stakeholders</u> very quickly gained the 2 marks for application and the 2 marks for analysis.

About two thirds of candidates attempted to evaluate the usefulness of the financial data. Even a simple statement that 'the financial data is very important to stakeholders of GK' would gain 1 of the evaluation marks.

Better answers were rare, with many answers gaining only application and analysis marks, and others only gaining knowledge and evaluation marks. Exemplar 3 (below) shows excerpts from one of the better answers.

> **OCR support**
>
> ⓘ   The final page of the mark scheme sets out the marking grid used by examiners for this question. It sets out how each separate mark is given and is a vital resource to use in centres. In addition, further examples of answers to this question will be found in the candidate exemplar materials which will be published later in the year.

Exemplar 3

The financial data in Table 2 could potentially be very useful to a range of GK's stakeholders. This data, such as their net profit of £425,000 is an indication of the success and performance of GK. This is useful to potential investors and banks as it shows the risk of investing in the business. It could also be useful to GK's shareholders as it can be put into their business plan and help them raise finance in order to grow or expand, leading to improved profits.*

Overall, this data is useful to GK's stakeholders, mainly the potential investors, shareholders and owners. This is because it ~~slow~~ indicates the company's

END OF QUESTION PAPER

current performance and could potentially be used to raise money from banks. However, its use is limited as it does not show how performance has changed overtime, it only shows finance for the end of 2022. Its usefulness could be improved by including costs, sales and over a range of dates.

The first paragraph of this exemplar shows how quickly marks can be gained. Understanding is shown in the fourth line, by saying that financial data 'is an indication of the success…of GK.' The response then identifies two named stakeholders (banks and shareholders) for both application marks and how they each will be interested in the data (the risk of investing and the ability to raise finance, respectively) for the two analysis marks. The middle part of the response (not reproduced here) slightly lost its way but did gain the knowledge mark.

The final paragraph of the response gains 2 of the 3 evaluation marks. It concludes that 'this data is useful to GK's stakeholders' and justifies this by stating that 'however, its use is limited as it does not show how performance has changed overtime [sic]'. The third evaluation mark could not be given as the evaluation was not written in context. For example, it could have referred to specific data found in Table 2 (this context <u>must</u> be contained within the evaluation, rather than elsewhere in the response.)

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