

Unit 2 – Mark scheme

Question	Answer	Mark
1(a)	Knowledge 2 Up to 2 marks for defining the term 'JIT', e.g.: <ul style="list-style-type: none"> It involves holding no buffer inventory (1) with supplies arriving just before they are required by the business (1). 	(2)

Question	Answer	Mark
1(b)	Knowledge 1, Application 2, Analysis 1 Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions. Knowledge 1 mark for identifying the current ratio formula: <ul style="list-style-type: none"> Current assets / current liabilities (1). Application Up to 2 marks for selecting the correct data from Extract B: <ul style="list-style-type: none"> Current ratio = 15 653 139 (1) / 15 018 262 (1). Analysis 1 mark for calculating the current ratio: <ul style="list-style-type: none"> Current ratio = 1.04 (1) NB: if no working is given but the answer given is 1.04 award 4 marks. If the answer given is 1.0 award 3 marks.	(4)

Question	Answer	Mark
1(c)	Knowledge 2, Application 2, Analysis 2 Knowledge Up to 2 marks for defining working capital e.g.: <ul style="list-style-type: none"> The cash available (1) for day-to-day operations of a business (1) OR For giving 2 ways, e.g.: <ul style="list-style-type: none"> Cost of the recall (1) Falling sales (1). Application Up to 2 marks for answers contextualised to Toyota, e.g.: <ul style="list-style-type: none"> Toyota will have additional costs of \$1.47bn from the product recall in 2017 (1). Customers may be reluctant to purchase a Toyota car because of product recalls (1). Analysis Up to 2 marks for a reason/cause/consequence for Toyota, e.g.: <ul style="list-style-type: none"> Toyota may struggle to pay off its short-term liabilities due to having less cash available (1). Toyota may find that they have unsold inventory which may tie up its working capital for longer (1). 	(6)

Question	Indicative content	
1(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Short product lead-in times are the length of time between the first emergence of the product concept/design and its launch into the market. • The car market is very a competitive market where there are lots of rival car manufacturers selling similar cars. • If Toyota is the first to launch a car on the market, then it can charge a premium price to reflect the innovative nature of the car. • It may help Toyota to respond to consumer trends more quickly and gain a competitive advantage by launching new car models faster to the marketplace compared to other car manufacturers. • If the product lead-in times are too short, mistakes can happen in the production process as the process is rushed. • Recent product recalls have been an example of a design fault, affecting a wide range of Toyota's car models, which could have been caused by the product lead-in time being too short. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question	Indicative content	
1(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Product recalls are when a company calls back its products from consumers due to a fault or problem. • Sales of some of Toyota's cars may decline, which may lead to a loss of revenue as some customers may consider them dangerous to drive. • Market share may decline due to a reduction in consumer confidence as their cars are considered less reliable than other models on the market. • There may be a negative impact on consumer confidence due to decreasing reputation/quality, which affects overall perception of the brand. • Because Toyota responded quickly to the faults, sales may not suffer significantly. • The impact on sales may be only short term because of strong brand loyalty, despite the problems it remains the world's largest car manufacturer. • Toyota may not be the only car manufacturer that has experienced product recalls. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Answer	Mark
2(a)	Knowledge 2 Up to 2 marks for defining the term 'gross profit' e.g.: <ul style="list-style-type: none"> total revenue (1) minus the cost of goods sold (1). 	(2)

Question	Answer	Mark
2(b)	Knowledge 1, Application 2, Analysis 1 Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions QS2: calculate, use and understand percentages and percentage changes. Knowledge 1 mark for identifying the formula for profit for the year margin: <ul style="list-style-type: none"> Profit for the Year / Revenue $\times 100$ (1). Application Up to 2 marks for selecting the correct data from Extract D: <ul style="list-style-type: none"> 412 (1) / 1372 (1) $\times 100$ Analysis 1 mark for calculating the profit for the year margin: <ul style="list-style-type: none"> = 30.03% to 2 decimal places (1). NB: All 4 marks for answers that give the correct answer (30.03), regardless of working. If the answer given is 30%, award 3 marks. If the answer given is 30, award 2 marks.	(4)

Question	Answer	Mark
2(c)	Knowledge 2, Application 2, Analysis 2 Knowledge Up to 2 marks for defining intellectual property rights legislation, e.g.: <ul style="list-style-type: none"> A form of legal protection (1) that includes patents / copyrights / trademarks (1). OR For giving two benefits, e.g.: <ul style="list-style-type: none"> To stop competitors copying products (1). To protect a brand name (1). Application Up to 2 marks for answers contextualised to Origami Owl, e.g.: <ul style="list-style-type: none"> Bella has registered the name 'Living Locket' (1). Bella has a patent for heart-shaped lockets (1). Analysis Up to 2 marks are available for reasons/causes/consequences for Origami Owl, e.g.: <ul style="list-style-type: none"> It will protect Origami Owl's brand name and may create brand loyalty (1). These heart-shaped lockets can be bought only from Origami Owl, giving Bella a competitive advantage (1). 	(6)

Question	Answer	
2(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Job production involves a business producing items that meet the specific requirements of the customer. • With job production, Bella handles the complete task of assembling each Living Locket so she can ensure that quality is maintained for each necklace. • Each Living Locket is unique and personalised to each customer so it would be unsuitable for batch or flow production methods, which involve making more standardised products and in greater volumes. • Job production's main advantage is that it is a highly specialised or customised good, which means Bella can charge a premium price for the Living Lockets. • This method is suitable for small-scale businesses involving little or no technology so this is ideal for Bella's type of product as she is a very small start-up business using very little machinery. • The cost of producing each Living Locket will be higher as each one has to be made individually. • It will be very labour intensive for Bella to make each Living Locket, which will add to the time taken to fulfil each order and limit the maximum number of orders she can fulfil. 	
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	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question	Indicative content	
2(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> Given Bella's age (14), she would have been unlikely to have secured a commercial loan from a bank. It was suitable because only a small amount (\$350) was required, which her parents could easily provide. Bella's parents are unlikely to demand the money back as they wanted to help their daughter. <p>It is very unlikely that Bella's parents will charge interest on the \$350, which will help Bella get the business established.</p> <ul style="list-style-type: none"> Bella will be restricted to how quickly she can expand the business due to the small amount of finance she has in total (\$700). If things go wrong, involving family and friends may result in disputes, interference and breakdown of relationships. For such a small business start-up, using money from family and friends is a suitable source of finance and Bella could consider other sources once she is established and has a proven track record. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
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Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Answer
3	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <p>Retained profits</p> <ul style="list-style-type: none"> • Tarek can grow organically by using retained profits from his existing Hummingbird Bakeries to reinvest into new outlets both in the UK and in new overseas markets. • This would give Tarek complete control of the business and he would retain complete ownership of each Bakery, ensuring that each one is run exactly how he wants. • If he expanded organically, Tarek would keep all the profits from the new outlets. • However, organic growth can be a much slower method of expansion as it relies on reinvestment from retained profits. • Tarek may have a limited amount of retained profits and this may restrict the speed and number of outlets he can open. • There is an opportunity cost from using retained profits to grow organically and if Tarek wants to expand quickly, then he may need to use external finance to supplement his retained profits. <p>Franchising</p> <ul style="list-style-type: none"> • Franchising is a method of business ownership that involves a business selling the rights to another business to operate under its name and use its products. • Franchising may allow the Hummingbird Bakery to expand quickly without the risk of debt or the cost of equity, since the franchisee provides all the capital required to open and operate a the new bakery, allowing the Hummingbird Bakery to grow using the resources of others. • Franchising will allow Tarek to reduce the risk of expansion as the franchisee has all the responsibility for the investment in the franchise operation, paying for any building, purchasing any inventory, hiring any employees and taking responsibility for any working capital needed to establish the business. • However, Tarek will not keep all the profits as he will be entitled to only a percentage of overall profits made by new bakeries. • He will lose some control of the day-to-day operations of the bakery and will need to ensure that proper training is provided in order to maintain the image and USP of the Hummingbird Bakery. • Tarek has already been approached by several people wanting to use this method of ownership, which indicates that this may be a quicker and more effective way to expand the Hummingbird Bakery in new markets as demand is already there for this type of business ownership. • If Tarek wants to retain full control of the Hummingbird Bakery, organic growth would be the best form of business ownership: he will get to keep all profits from the new Bakeries as well as ensure that the Hummingbird Bakery keeps to its original business model.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.