

## A LEVEL

*Exemplar Candidate Work*

# ***BUSINESS***

**H431**

For first teaching in 2015

## **H431/03 Summer 2018 examination series**

Version 1

# Contents

Introduction	3
Question 1	4
Question 2	6
Question 3	9
Question 4	12
Question 5	14
Questions 6(a) and (b)	21
Question 6(c)	24
Question 6(d)	25
Question 7	26
Question 8	28

# Introduction

These exemplar answers have been chosen from the summer 2018 examination series.

OCR is open to a wide variety of approaches and all answers are considered on their merits. These exemplars, therefore, should not be seen as the only way to answer questions but do illustrate how the mark scheme has been applied.

Please always refer to the specification <https://www.ocr.org.uk/Images/170837-specification-accredited-a-level-gce-business-h431.pdf> for full details of the assessment for this qualification. These exemplar answers should also be read in conjunction with the sample assessment materials and the June 2018 Examiners' report or Report to Centres available from Interchange <https://interchange.ocr.org.uk/Home.mvc/Index>

The question paper, mark scheme and any resource booklet(s) will be available on the OCR website from summer 2019. Until then, they are available on OCR Interchange (school exams officers will have a login for this and are able to set up teachers with specific logins – see the following link for further information <http://www.ocr.org.uk/administration/support-and-tools/interchange/managing-user-accounts/>).

It is important to note that approaches to question setting and marking will remain consistent. At the same time OCR reviews all its qualifications annually and may make small adjustments to improve the performance of its assessments. We will let you know of any substantive changes.

# Question 1

1 IKEA is 'the world's largest furniture retailer'. (Line 3)

Explain **two** likely barriers to entry into the furniture market.

[4]

## Exemplar 1

4 marks

1. high initial set up costs as furniture is an expensive high value good and thus requires a significant amount of capital to enter the furniture market

2. marketing budget needs to be high as many of the market leaders are well established with significant expenditure on marketing campaigns + this new start ups would have to try and match this, which is often unviable

[4]

## Examiner commentary

Two points that are well explained and in context so 4 marks are awarded.

## Exemplar 2

1 mark

1. Competition may be a barrier as lots of big named furniture companies take up a large market share.

2. The state of the economy may effect entry into the market as if it is in recession it would not be a wise decision to expand or start a business as people have less money to spend.

[4]

## Examiner commentary

Competition is not a barrier to entry – it enables firms to enter a market – so this was not rewarded. However the mention of 'big name furniture companies' suggests that the candidate actually means a lack of competition being a barrier to entry so a mark could be awarded.

The second answer is not a barrier to entry in the furniture market – in fact it could be an enabler if the business sells low priced furniture. This is more of a factor that might affect business success.

Candidates need to be very careful to think what the question is actually asking and respond appropriately.

## Exemplar 3

**0 marks**

1. location of the branch when opening up  
in new places.

2. setting prices to attract the local  
community that fits their income.

**[4]**

### Examiner commentary

The candidate seems to have misread the question and has given ways in which the business could overcome barriers to entry, rather than explaining actual barriers. Misreading a question is common and can be avoided by asking candidates to underline the important aspects of the question.

## Question 2

2 IKEA takes its corporate social responsibility (CSR) seriously. (Extract B)

Analyse the possible effect of IKEA's CSR profile on any **two** of its stakeholders.

[6]

### Exemplar 1

6 marks

One of the stakeholder for the this business is the owners, with the switching of the light bulbs it is going to cost the business money due to the light bulbs ~~replacing~~ being offered and now which is going to cost the business money, this could mean that less money is spent on another area of the business, for example the amount of stock they buy which means that the business may miss an sale which could mean they lose out on profit leading to the a reduced profit made for the owners of the ~~business~~ <sup>charitable business</sup>. Another stakeholder is the employees and with the flexible working practices it may mean that they can pick and choose how they want to work. This may result in a increased motivation due to them being able to work as they go which means that they will feel good about working for the business and provide good quality service to customers.

### Examiner commentary

Knowledge of CSR and applied to IKEA. Owners are identified as a stakeholder and the analysis is developed beyond one simple effect.

The second stakeholder identified are the employees and again the analysis is taken beyond the basic, increased motivation – feel good about working – and give good customer service.

## Exemplar 2

4 marks

- 2 IKEA takes its corporate social responsibility (CSR) seriously. (Extract B)
- Analyse the possible effect of IKEA's CSR profile on any two of its stakeholders. [6]
- Stakeholders: Owners, employees, Shareholder, Government, local community, Suppliers*

The CSR would have an effect on its customers because IKEA have switched their lighting range to energy-efficient bulbs. This would affect the customers because it may increase the cost of bulbs, which means customers having to pay more for bulbs. It would also affect the customers because it may appeal more to some customers now that they are energy efficient. So may increase sales of bulbs, having a positive effect on owners and shareholders. The CSR may also affect the suppliers for IKEA, this could have a positive effect by increasing orders for the supplier. This would lead to constant and large orders for the supplier, so would be a positive impact.

## Examiner commentary

Good knowledge of CSR and applied to IKEA. Basic analysis on customers and owners and shareholders, but neither piece of analysis goes far enough to be considered developed. So, for example, if the analysis on the customer was taken further to show how an increase in the price of bulbs would affect them (decreased disposable income, less money to spend on other items etc.) then those would have been developed.

## Exemplar 3

3 marks

It may have an effect on the customers as if people were looking to purchase from a store they may opt for IKEA as they offer energy-efficient bulbs rather than shopping elsewhere and not helping the environment. Furthermore, if the customers were to purchase from the company they may give promotion to IKEA for being a company which values the environment.

The staff may take pride in their work knowing that the business helps the environment.



With energy-efficient bulbs and going for more  
~~effort~~ sustainable sources of cotton. This  
may mean staff become happier at the company  
and more efficient in their work which may  
benefit the business in the long run.

## Examiner commentary

This candidate has quickly shown knowledge of CSR and then applied this to IKEA in terms of the energy efficient lightbulbs. However the attempt to analyse the effect is on IKEA (gives promotion) not the stakeholder, so it does not answer the question set.

The second paragraph looks at the effect on the staff and in this case the analysis is that they become happier, which is an effect on the staff and correct analysis. This analysis is not developed as an effect on the stakeholder.



## Question 3

3 Evaluate **one** reason why having a range of promotional activities is important to IKEA.

[10]

### Exemplar 1

9 marks

Promotional activities refer to ways in which a business markets its goods and services. Since Ikea is the "world's largest furniture retailer" it is highly important for their promotional activities to reach a wide audience. <sup>\*In order to create more sales, and higher market share.</sup> Therefore, Ikea use a range of marketing techniques to achieve this. Extract D states that Ikea uses 'various forms of print and media advertising'. Examples of this include TV adverts, billboard posters, catalogues and magazines. Due to the variety of marketing methods, this suggests that Ikea will reach an international audience. However, due to Ikea's customer base being global, the company must consider certain factors within their advertising. For example, Ikea must ensure that their TV adverts are promoted in many different languages. This may be a drawback for Ikea as they will need staff who can speak a variety of languages which may also be costly to promote different adverts and become time consuming. However, if Ikea can target a wider audience through their promotional activities, then this is more likely to attract new customers. As a result of this, Ikea

may experience growth in sales and profit. All of which, leads to the most important reason of Ikea gaining a higher share of the furniture market.

## Examiner commentary

Knowledge and application are shown quickly in the first few sentences. This is followed by some basic analysis (reach an international audience) but not developed.

However towards the end of the response there is a development of some analysis (different audiences – new customers – growth in sales – more profit) and then a basic piece of evaluation about the importance. To improve this answer to 10/10 this evaluation should be developed to justify the judgement.

## Exemplar 2

7 marks

One reason why the range is important is because of the amount of people the promotions can reach. IKEA's print and media would reach people that their 200 million catalogues may not and this may allow them to stretch out their customers. The ~~range~~ amount of people that the company reaches out too is important as they may not have loyal customers however, if they are able to reach out to new people and make more potential customers into customers then they would have a consistent cash flow.

The ~~range~~ promotion strategy may also allow them to reach other countries such as Austria with their 'billboard-filled wardrobes'. This may allow them to increase their profit as they are able to sell in every country rather than just a few. Their social media marketing may reach out to youths who are looking to move away from home and may need to get furniture for their new place and so the marketing would reach out to them.

## Examiner commentary

The first paragraph has some good knowledge of promotional activities and applied to IKEA (200 million catalogues). There is then some early evaluation where the candidate looks at the importance. Evaluation often occurs after analysis, but it can be rewarded wherever it occurs as long as the context has been used.

The second paragraph also shows knowledge and application and goes on to analyse (profit from selling in every country). However instead of developing this, the candidate chooses to start a new chain of analysis in terms of hitting a new market (youths). The answer would have been improved by developing one piece of analysis rather than more basic analysis.

## Exemplar 3

**2 marks**

Having a unique marketing strategy helps to get people talking about the business. When adverts are created, they need to be memorable so that the viewers interest can be caught. Showing the viewers what they may want helps grab their attention too.

Having a range of promotional activities means that a wider range of audiences are able to see it and maybe more likely to see the promotion more often. Having a unique advert would be beneficial as it may be more memorable than an advert that isn't.

## Examiner commentary

This candidate has shown some knowledge of promotional activities but there is no context applied, so the maximum mark is 2. There are some attempts at basic analysis, but as the context has not been used these cannot be rewarded.

## Question 4

4 IKEA raised its basic wage level in all of its stores in the USA. (Extract E)

Explain **two** possible reasons why it might have done this.

[4]

### Exemplar 1

4 marks

1. To reduce labour turnover - by paying higher rates than a number of its competitors employees are likely to be more loyal and committed to Ikea which in the long-term reduces recruitment costs
2. To improve motivation as the employees will feel that their input to the companies success is valued and this will lead to increase productivity so they are more 'lean' potentially reducing costs further

[4]

### Examiner commentary

Two reasons are given which are well explained – this response did not require analysis, but this candidate has tried to take it to an analytical point.

### Exemplar 2

3 marks

1. to keep workers loyal and stay working for them so that they do not have to do so much training for new employees
2. To attract new workers as they may need a lot to cover the floor because of how big each store is along with the warehouse

[4]

### Examiner commentary

The first point is well explained and shows why IKEA might have done this.

The second point is very similar to the first (the first was about retention and the second about recruitment) but that is not why it did not get the second mark. The explanation is weak and does not explain why this is important to recruitment.



## Exemplar 3

**2 marks**

1. To be the furniture markets 'monopoly' business, meaning that Ikea are the role model for other businesses, in which businesses are likely to follow in their footsteps.
2. Ikea recognise this as a way of acting ethically towards employees. Therefore more people in the USA are likely to be interested in working for Ikea, which is a way of expanding the business. [4]

### Examiner commentary

The first point makes little sense. The candidate might have meant that this is important because of IKEA's CSR profile, but this is not made clear and the examiner can only read what is written, not what we think the candidate means.

The second point, however, does identify a reason with a good explanation.

## Question 5

5\* Evaluate the importance of effective stock control to the success of IKEA.

[20]

### Exemplar 1

19 marks

5\* Evaluate the importance of effective stock control to the success of IKEA. [20]

*stock control charts* *regulation working capital* *6 relationship supplier* *predicted?*

Stock control is ~~seen~~ a process of paramount importance to securing the long term operational success of Ikea and thus is something the managers will have to consider carefully on a day-to-day (tactical) and strategic scale.

If the maximum stock level is too high a high amount of unnecessary costs may be incurred. This is because there will need to be an expansion of storage facilities to hold this extra stock. This will incur <sup>additional</sup> costs in terms of security, rent on the property and insurance costs. In addition to this, if too much stock is held the acid test ratio for the business would not be favourable since its 'cash' is tied up in stock. The liquidity of the business is reduced which could potentially cause issues in the future with regards to having inadequate working capital to sustain operations. Furthermore, holding too much stock could mean that its 'value' depreciates over time as changing tastes and fashion occur. As a result, Ikea may have to significantly reduce prices to get rid of

Stock thus reducing mark up. This could reduce the availability of capital ~~to utilise~~ ~~where~~ that will be necessary when expanding into the Indian market. As a result, it is evident that holding too much stock could pose a threat to Ikea. The increased costs of holding stock could be passed onto the consumer, which would involve an increase in price and thus reduce their competitiveness and future maintenance of substantial market share.

However, on the other hand, if the minimum stock level is too low, they could face threats that limit their success. If there was a sudden increase unexpectedly in demand for a particular piece of ~~furniture~~ furniture, it could result in a stock out. Consumers would be dissatisfied if they were unable to purchase the product. As a result, Ikea's reputation could be damaged, especially as a large proportion of their promotional activities are on social media of which negative publicity would be concentrated from the consumer. Therefore, the damage to reputation could threaten future sales.\*

In addition to this, if suppliers were unable to meet the requirements of their contract and deliver certain products on time, holding little stock would mean there was little stock to utilise ~~this~~. The likelihood of this risk



is relatively high so Ikea since distribution networks can be prone to disturbance when operating on an international scale; as Ikea evidently does. However, as relations tend to be good with suppliers as Ikea prefer "long term business relationships" this meaning is problems were to ever arise Ikea is likely to be a priority to resolve the issue with. As a result, having too little stock can also pose risk to damaging Ikea's reputation but the extent of this could be limited as their relationships with suppliers are strong. However, it is unlikely demand is likely to vary a huge amount as Ikea "stock products for a year at a guaranteed price" offering them stability.

In conclusion, the costs of holding too much stock against holding too little stock should be considered in a cost benefit analysis and a 'balance' should be reached. If stock control is not managed effectively the ability to reach their objectives of growth will be fairly limited. Since their reputation could be damaged from a stock out but also costs could be incurred from holding too much stock. As a result, effective specialist management of stock is necessary.

## Examiner commentary

This answer has plenty of developed analysis, application and knowledge – all the marks in these areas are quickly gained.

The candidate has left all of their evaluation until towards the end of the response. Bearing in mind that there are 8 evaluation marks available in this question, it is unlikely that a candidate will gain all of these from a conclusion at the end of the response.

This candidate starts their evaluation in the penultimate paragraph and then continues through the final paragraph. Some earlier evaluation, perhaps at the end of the developed analytical points, would have enabled full marks and is a good style for candidates to adopt.

## Exemplar 2

13 marks

Competition - USP - Fast  
Cheap  
Suppliers - long term Contracts  
- good - reliable  
Customers - Fast - Warehouse  
cheap - Flatbox  
hassle free - set up Hurdles

5\* Evaluate the importance of effective stock control to the success of IKEA.

[20]

Stock Control appears to be important for the success of IKEA as the amount of staff that they have which is focus on maintaining the efficient stock control is a 20-25% of each store workers.

Stock Control is important when selling to customers as having a unique supply chain and holding more than 9500 products means that the business is able to supply to the customer fast and may give IKEA a unique selling point allowing them to add value. Having a warehouse in the store also improves speed as they would be able to keep products ready for when a customer would like it. If a customer were ordering ~~off~~ online then it may be cheaper to post as well with having the flatbox which may give customers another reason to return creating brand loyal customers. Whereas if the product was given pre-assembled it may be less effective as the business would have to pay more money on posting the product which would cost the business.

more money.

Their effective Stock Control may mean that they are able to bring in Customers from Competition as they are able to be more efficient than Competitors. This might increase profits as they are able to bring Customers from Competitors. Their cheap distribution of the products may mean that they are able to get the products to Customers faster than Competitors. Which may mean IKEA are able to do better financially compared to Competitors.

Giving the Suppliers long term Contracts ~~could~~ would possibly improve the effectiveness of their Stock Control as they have an agreement with Suppliers. Suggesting it is important IKEA are effective ~~the~~ IF they had short term Contracts, Suppliers may offer goods to other Companies and IKEA may lose a good supplier. Furthermore, the long term contract may mean large amount of the goods are ordered and this may cause financial economies of Scale meaning IKEA Save more money from their Stock Control.

~~Overall~~

Overall, it is important that IKEA keep their Stock Control effective as ~~it is~~ to be successful as if not they may lose Customers ~~and the~~ to Competitors and this ~~may~~ would lose them more money than if their Stock Control was effective.



## Examiner commentary

The second paragraph has good knowledge, use of the context and some developed analysis (supply to the customer fast – USP – add value). The end of the paragraph is irrelevant and therefore ignored – marks can never be 'lost' and irrelevant or vague aspects are ignored.

The next paragraph is also vague and does not progress the answer any further.

The penultimate paragraph again has some good use of the context and some developed analysis at the end (economies of scale – IKEA save money).

The attempt at evaluation at the end is weak and more of a repetition of the analysis than true evaluation.

## Exemplar 3

2 marks

- 5\* Evaluate the importance of effective stock control to the success of IKEA. [20]

Effective Stock Control is very important to any business, and will be important to the success of IKEA.

One reason why effective stock control is important, is because if IKEA hold too much stock, ~~the stock may go out of fashion~~ then that stock may go out of fashion/range. This would then have a negative effect on IKEA as they would be less likely to sell the stock and would be stuck with stock that they can't sell. So would reduce profits for IKEA as they have brought stock but can't sell the stock.

Another reason is that IKEA would know how much of each product to buy, so would be less likely to overbuy stock or underbuy stock. This is important to the success of IKEA ~~because~~ because if they didn't buy enough stock and it sold out straightaway – then the customers of IKEA wouldn't be happy. And also the owners/managers and shareholders wouldn't be happy because they will be missing out on sales and profit.

Having uneffective stock control can have a massive impact on the cash flow of a business. Holding too

~~holding~~ much Stock can cause cash flow problems for a business as they won't be able to pay their bills. Holding too much Stock would cause cash flow problems because they have increased their outflows by buying stock, but had less inflows coming in as they haven't sold all their stock. This could ~~also~~ give IKEA problems because they may not be able to pay monthly bills.

Another reason why effective Stock Control is important is because IKEA may not have the facilities or room to hold/cater for the stock that is brought. If IKEA have brought too much stock and haven't got enough room to hold the stock, then IKEA may have to find other room/space for the stock to be kept. This isn't ideal for any business.

I think that effective Stock Control is extremely important to the success of any business - especially IKEA. I think this because if ineffective Stock Control is taking place then it can cause many problems for IKEA. The main problem being cash flow if Stock Control isn't effective. I definitely believe effective stock control is important to the success of IKEA.

## Examiner commentary

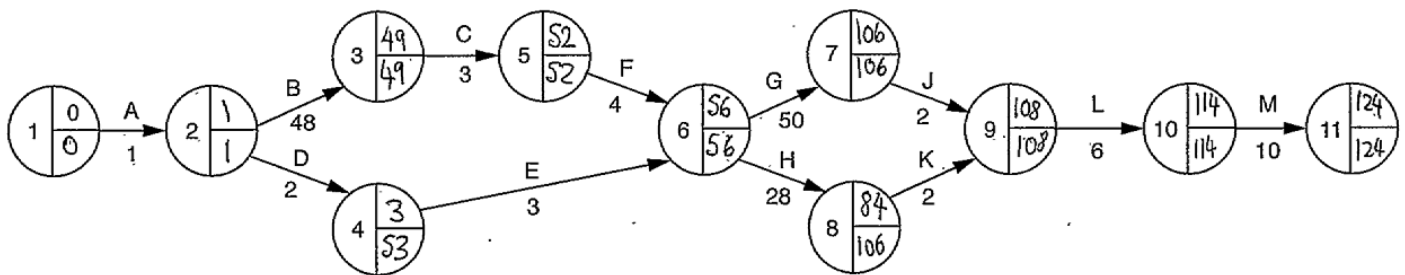
This is an example of a candidate who has made a good effort to analyse and evaluate, but has not engaged with the context. An answer without use of the context (not just using the name of the business, but actually making use of the data about the business) cannot gain more than 2 marks for their use of knowledge.

# Questions 6(a) and (b)

- (a) By completing the network diagram (**Fig. 1**), calculate the:
- (i) earliest start time for activity H.
  - (ii) overall time for delivery to the customer.
  - (iii) latest finish time for activity D.
- (b) Using the network diagram (**Fig. 1**), identify the critical path for the order.

## Exemplar 1

4 marks



Answer ..... 56 hours ..... [1]

Answer ..... 124 hours ..... [1]

Answer ..... 53 hours ..... [1]

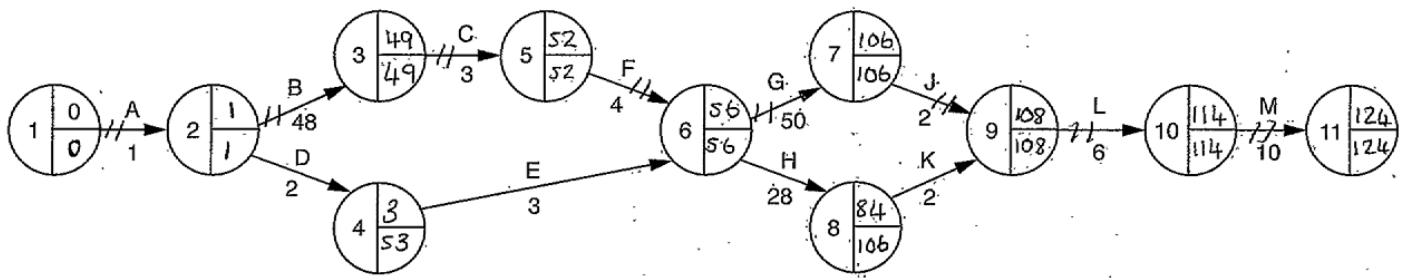
Answer ..... A-B-C-F-G-J-L-M ..... [1]

## Examiner commentary

All the answers correctly calculated and identified.

## Exemplar 2

3 marks



Answer ..... 84 ..... [1]

Answer ..... 124 ..... [1]

Answer ..... 53 ..... [1]

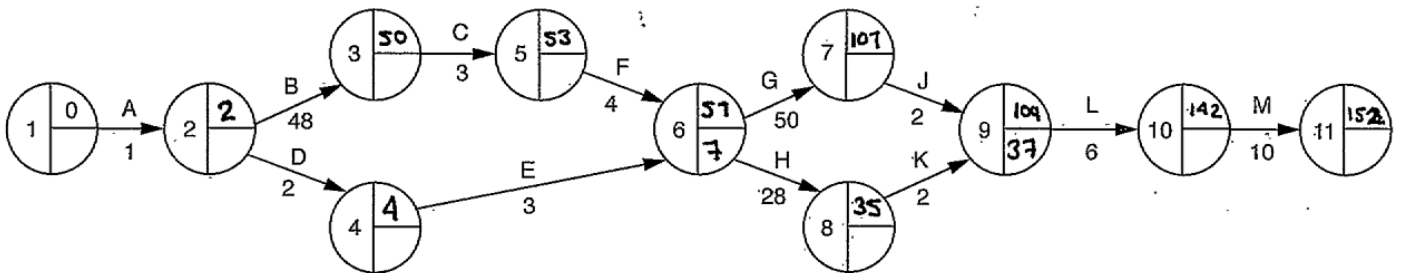
Answer ..... A, B, C, E, F, G, J, L, M ..... [1]

## Examiner commentary

It was very common for candidates to mis-identify the LFT of activity H with the EST. Although the correct answer is on the diagram, the candidate has chosen to identify the wrong answer as their response to Q6ai.

## Exemplar 3

0 marks

~~Handwritten scribbles~~

7 + 28

~~Handwritten scribbles~~

Answer ..... 35 hours ..... [1]

1 + 48 + 3 + 2 + 3 + 1 + 50 + 28 + 2 + 2 + 6 + 10

159 hours

Answer ..... 159 hours ..... [1]



$$4 - 2 = 2$$

Answer ~~4~~ 2 hours [1]

A to M

Answer A → M [1]

## Examiner commentary

A number of mistakes are made that means that there are no marks rewardable for these answers. Not only has the candidate not really understood how to calculate LFTs, there are mistakes in the calculation of the ESTs.

## Question 6(c)

(c) Explain the difference between total float and free float.

[2]

### Exemplar 1

2 marks

total float is how much time you can afford to loose for the entire process where as free float is how much time you can afford to loose with one of the activities [2]

### Examiner commentary

A good answer that shows full understanding of the difference between total float and free float.

### Exemplar 2

0 marks

total float finds the longest time  
free float is the time on a specific  
order. [2]

### Examiner commentary

There is some understanding here but it is not clear enough to reward the candidate's response. The candidate does not grasp the fundamental aspects of float being the 'spare' time.

## Question 6(d)

- (d) The marketing manager at KS does a lot of research into the consumers of its products and their likely response to changes in price. Recent research from a furniture store in Germany has shown that a fall in price from €150 to €112 for a garden table led to a rise in monthly demand for garden chairs from 86 to 98 units.

Calculate the cross elasticity of demand for garden chairs in response to the change in the price of a garden table.

[4]

### Exemplar 1

4 marks

$$\begin{aligned}
 150 - 112 &= 38 \\
 \frac{38}{150} \times 100 &= 25.3\% \\
 \frac{-13.95}{25.33} &= -0.55 \\
 \frac{-12}{86} &= -13.95\% \\
 86 - 98 &= -12 \\
 \text{Answer } & -0.55 \quad [4]
 \end{aligned}$$

### Examiner commentary

This shows the correct answer so 4 marks awarded. The candidate has shown their working clearly which would have allowed marks if the answer had been incorrect.

### Exemplar 2

1 mark

$$\begin{aligned}
 \frac{112 - 150}{150} \times 100 \\
 = -25.3 \\
 \text{Answer } & -25.3 \quad [4]
 \end{aligned}$$

### Examiner commentary

No formula has been given but the correct calculation of one of the percentage changes gains a mark.

## Question 7

- 7 Analyse **one** way in which Ansoff's matrix might have been useful to IKEA when planning the expansion into India. (Extract G) [6]

### Exemplar 1

6 marks

The Ansoff matrix might be useful to IKEA due to it looking at the different ways it can put its products and change its products depending on what the market is like. The four different strands of the marketing or ansoff matrix are market penetration, diversification, market development and product development. These factors will help IKEA look at their current products and then Indian market to see how they could change and adapt their strategy. This could benefit IKEA as for an example when they looked at operating in China they could see all the strategic challenges that they face. This then in India could allow IKEA to be prepared for different situations and make the most out of the potential opportunities that they could have in that country and increase their size and therefore potentially make more money for the company.

### Examiner commentary

Good knowledge of Ansoff's matrix, good application to IKEA and some nice developed analysis towards the end of the response. This chain of analysis is easy to follow and shows how the matrix could be useful to IKEA in this scenario.

### Exemplar 2

2 marks

One way in which Ansoff's matrix might have been useful to IKEA when planning the expansion into India is because they could use it to find out about what prices and products to market to the Indian market. By using diversification

Ikea could marketed a new product with a specific price. Due to the fact Ikea are expanding into a emerging market details about price about important for success, therefore knowing about how to price certain products will help with succeeding in the market. Based on the incomes and wealth of the community in India would determine whether or not Ikea would need to develop their products or change prices.

### Examiner commentary

There is some knowledge of one of the quadrants of Ansoff's matrix (Diversification) and then some application to IKEA entering an emerging market. However no analysis of how it could be used so no analysis marks awarded.

### Exemplar 3

0 marks

One way it might have been useful is for finding the culture of India. This may have allowed IKEA to see what the people of India may have wanted and what may have changed in comparison to the culture in Sweden. It may have made them better suited for the expansion as they would know what to expect with the culture of India such as what would likely be purchased the most out of their catalogue.

### Examiner commentary

No knowledge is shown of Ansoff's matrix so no marks can be rewarded, despite some engagement with the context. There must be some explicit (or implicit) use of the knowledge for each question.



## Question 8

8\* Discuss the extent to which changes in economic factors are likely to affect IKEA in the future. [20]

### Exemplar 1

20 marks

With the economies it could mean that IKEA is effected in the future. This is due to some of IKEAs products may be seen to be high end products and others not so much. What this mean for IKEA is that if the economy has a ~~reces~~ goes into a recession this may mean that spending is then cut, this may mean for IKEA that with the decrease in spending their more luxury products that can be purchased may not be purchased as much as IKEA would like them to be. What this may mean for IKEA is that there money that they could have gained may have decreased. What this then could mean is that spending on other areas of the business may be cut like shutting of some of the stores that they have. This could then mean that since the stores are so big that a large amount of people could lose there jobs which means that the business could then get bad press about the situation which could then means that sales could decrease even further which could potentially harm IKEA in the longer running of the business.

Due to IKEA being a multinational group it has meant that they have got stores in 48 different countries, due to this they are going to have to deal with

exchange rates in the '48' different countries. What this may mean is that say there is an appreciation of the exchange rate in the UK (one of the countries it operates in), this would mean that exporting goods from another country into the UK is going to cost IKEA more, from this it means that since IKEA will probably have its goods produced in an area of cheaper labour to reduce the cost of the business, it will mean that the prices of those goods will rise which means that the costs of the business are going to be higher and then this may mean that they could make less money for the day due to this; this could mean that an expansion into another country i.e. India which may have high exchange rates may be postponed which may mean that they are losing out on more money.

To conclude the extent to which this company may be affected may vary in the future. This may be due to how ~~long~~ quick the recovery is after the economy spending fall, this would determine how much it would affect IKEA in terms of a large loss in profit or a small loss due to a quick recovery and a boom which would mean that sales would be high across the economy. It also depends on what is considered a luxury product in that market due to how many less of that product need are bought and what people consider a luxury because the sales may dip a little but remain high. I don't believe that ~~this~~ economic factors will have a major effect on the ~~company~~ ~~this~~.



future due to them being located in 48 different countries and if one economy collapses it doesn't necessarily mean that all other economies will be affected and the same with the spending although the spending might be low for a certain amount of time.

## Examiner commentary

This exemplar shows a good answer that gains all of the available marks. Each point that is made has developed analysis and there is some early evaluation at the end of the first paragraph. All of the knowledge and application marks have been gained in the first paragraph as well.

There is another nice chain of analysis in the second paragraph.

The final paragraph is a well thought out evaluation with justification towards the end. This is not the longest answer produced on this paper, but it is one that fairly succinctly gets all of the marks without any wasted time or effort.

## Exemplar 2

7 marks

Economic factors are external factors that impact a business relating to the economy in which Ikea operates in. It is evident that Ikea operates outside as well as inside the EU, as it has stores in "48 countries". Therefore Ikea is classed as a multinational business. Although this has many benefits such as creating jobs, and selling to a global audience, certain economic factors hold drawbacks for Ikea.

Firstly, due to Ikea operating in 48 countries, this means that the currency of each country changes. Therefore Ikea must ensure that they operate effectively using exchange rates from what they sell, manufacture and supply.

In addition to this, Ikea may face trade barriers when operating in other countries, this especially may become an issue for Ikea's markets outside of the EU, when trading barriers are more likely going to be more difficult. For example, Ikea may have to base its manufacturing within EU countries due to barriers such as tariffs and quotas on imports and exports from other countries. Although Ikea is a 'non-profitable' business, tariffs may have a negative effect on the business. This is because suppliers from other parts of the EU may find tax rates are high, therefore impacting the level of imports into Ikea.

## Examiner commentary

Some knowledge and application in the first paragraph but not analysis of the effect on IKEA.

It is not until the third paragraph that the candidate attempts any analysis and this is only limited analysis (IKEA must base manufacturing in EU countries). This could have been developed further to show the full effect on IKEA, higher rent on facilities, less choice of where to locate etc.

At the end of this paragraph there is an attempt to evaluate in terms of the extent to which this is a positive effect on IKEA. The evaluation is weak and only attempted on this one point. There is not attempt to come to a judgement on the whole question and evaluate this.

## Exemplar 3

2 marks

Changes in economic factors are likely to affect IKEA in the future because they will affect customer demand, prices and other things relating to the business.

Interest rates are one of the economic factors that will affect Ikea in the future because if interest rates went up, then

the cost of borrowing would be much more expensive for Ikea. This can be for example obtaining a loan from the bank would be more difficult. This will affect Ikea in the future because they may not have enough money to expand or improve the company. Due to Ikea not being able to ~~the~~ borrow money they may try to cut costs within the business to cover up. This may be cutting salaries of employees, this may make employees demotivated and lead them to leave the company. The unhappy employees, trade unions may approach Ikea and pressure them against doing so and even take them to court, this too will lead to more costs for the Ikea.

However if interest rate went down then Ikea would be able to borrow money to expand and improve the business

for better success in the future. By having more money from borrowing Ikea can look at future expansion for the future, which may bring additional profits.

Another economic factor which is likely to affect the future of Ikea is exchange rates. Exchange rates are comparing one currency to another currency. If exchange rates are high, then it is more expensive to trade with other countries. The cost of converting with another ~~range~~ country will be too high for Ikea. However if exchange rates were low, then trade with other global countries would be cheaper. Therefore imports can be cheaper, this will affect Ikea in the future when signing big contracts with countries.

Another economic factor is there being a recession or boom. If there was a recession then the countries economy would be dropped. This will affect Ikea because customers will have less income to spend on their products, therefore the



Demand for the products will drop. As no or little money is coming into the business, this may lead to a cash flow problem, for IKEA. ~~To overcome this Ikea may need to lower their prices.~~ To overcome this Ikea may need to cut costs internally, for example staff wages, and also lower prices to attract demand for the future. A recession will affect IKEA because of a long rebuilding role for both Ikea and for the countries economy.

If there was a Boom, then this will benefit Ikea because consumers will have a higher amount of money to spend on goods. Due to consumer income rising, Ikea can raise its prices, in order to increase sales and make a greater profit.

## Examiner commentary

There are some attempts to analyse in this answer but no engagement with the context. An uncontextual answer can only gain a maximum of 2 marks on the 10 and 20 mark questions on this paper.

There are many missed opportunities in this answer to use the context.



We'd like to know your view on the resources we produce. By clicking on the 'Like' or 'Dislike' button you can help us to ensure that our resources work for you. When the email template pops up please add additional comments if you wish and then just click 'Send'. Thank you.

Whether you already offer OCR qualifications, are new to OCR, or are considering switching from your current provider/awarding organisation, you can request more information by completing the Expression of Interest form which can be found here:

[www.ocr.org.uk/expression-of-interest](http://www.ocr.org.uk/expression-of-interest)

#### **OCR Resources:** *the small print*

OCR's resources are provided to support the delivery of OCR qualifications, but in no way constitute an endorsed teaching method that is required by OCR. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

This resource may be freely copied and distributed, as long as the OCR logo and this small print remain intact and OCR is acknowledged as the originator of this work.

Our documents are updated over time. Whilst every effort is made to check all documents, there may be contradictions between published support and the specification, therefore please use the information on the latest specification at all times. Where changes are made to specifications these will be indicated within the document, there will be a new version number indicated, and a summary of the changes. If you do notice a discrepancy between the specification and a resource please contact us at:

[resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk).

OCR acknowledges the use of the following content:  
Square down and Square up: alexwhite/Shutterstock.com

Question paper extracts: Any reference to existing companies or organisations is entirely coincidental and is not intended as a depiction of those companies or organisations.

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications:  
[resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

#### **Looking for a resource?**

There is now a quick and easy search tool to help find **free** resources for your qualification:

[www.ocr.org.uk/i-want-to/find-resources/](http://www.ocr.org.uk/i-want-to/find-resources/)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

#### OCR Customer Contact Centre

##### **General qualifications**

Telephone 01223 553998

Facsimile 01223 552627

Email [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

OCR is part of Cambridge Assessment, a department of the University of Cambridge. *For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.*

© **OCR 2019** Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number 3484466. OCR is an exempt charity.



**Cambridge  
Assessment**

