GCSE

Business

J204/02: Business 2: operations, finance and influences on business

General Certificate of Secondary Education

Mark Scheme for June 2025

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

MARKING INSTRUCTIONS

PREPARATION FOR MARKING
RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training: OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are available in RM Assessor

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the RM Assessor messaging system.

5. **Crossed-Out Responses**
   Where a candidate has crossed out a response and provided a clear alternative then the crossed-out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed-out response where legible.

   Multiple-Choice Question Responses
   When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).
   When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only one mark per response)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth two or more marks)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space).

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add the annotation 'SEEN' to confirm that the work has been seen and mark any responses using the annotations in section 11.

7. There is a NR (**No Response**) option. Award NR (No Response):

   - if there is nothing written at all in the answer space
   - OR if there is a comment which does not in any way relate to the question (e.g., 'can't do', 'don't know')
   - OR if there is a mark (e.g., a dash, a question mark) which is not an attempt at the question.

   Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The RM Assessor **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

9. *Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.*

10. Annotations

Annotation	Meaning	Annotation	Meaning
✓	Correct - 1 mark awarded	K	Knowledge (AO1a)
✗	Incorrect	U	Understanding (AO1b)
BOD	Benefit of doubt – mark awarded	APP	Application (AO2)
NAQ	Not answered question – question is either omitted or answer is not relevant to the question asked	AN	Analysis (AO3a)
TV	Too vague – no reward	EVAL	Evaluation (AO3b)
REP	Repetition – credit already given or answer repeats what is in the question or stem	?	Not sure what the candidate is trying to say
NUT	Not used text – answer does not make use of the context so no application mark	OFR	Own figure rule
SEEN	Noted but no credit given		
BP	Blank page (only use on Q18e)		

Highlighting is also available to highlight any particular points on the script.

ARA – Any Reasonable Answer - Where ARA is indicated within the Guidance column for any item on this mark scheme, examiners must accept any reasonable answer that in their professional opinion is as worthy of merit as those indicated on the final mark scheme. However, examiners should liaise with their Team Leaders/Principal Examiner wherever there remains any doubt as to whether or not a response (or part-response) should be awarded.

SECTION A			
Question	**Answer**	**Marks**	**Assessment Objective**
1	**B**	1	2
2	**B**	1	1b
3	**D**	1	1a
4	**D**	1	2
5	**D**	1	1a
6	**A**	1	2Q
7	**D**	1	2
8	**A**	1	2Q
9	**A**	1	1b
10	**C**	1	2Q
11	**B**	1	2Q
12	**D**	1	2Q
13	**D**	1	2
14	**B**	1	2Q
15	**C**	1	2

Question			Answer	Mark	2
16	(a)		**State two production processes.** • Job • Batch • Flow/continuous • Mass	2 AO1a	One mark for identifying each type of production process. *Answers do not need to relate to Dr Martens.*
	(b)		**State two reasons why a business may aim to be environmentally friendly.** **Answers may include:** • Increased reputation / brand image / help with advertising • Increased sales / attract or retain customers / competitive advantage • Reduced costs / waste • Reduced tax bills • Getting subsidies / attract investment • Allows firm to charge higher prices **ARA**	2 AO1a	One mark for each correct reason. *Answers do not need to relate to Dr Martens.* No reward for answers about sustainability, ethics or legislation. 'To help protect the environment' or 'improved carbon footprint' is **TV**.
	(c)	i	**Calculate DM's net profit margin for 2023 to two decimal places.** 159.4/1000.3 x 100 (1 mark for evidence of calculation) **15.94%** (1 mark for correct answer) (Accept 15.93%)	2 AO2	Two marks for correct answer (with or without workings). One mark for evidence of 159.4 ÷ 1000.3 Maximum one mark if answer is **not** to two decimal places. No reward for inverse answer (627.54%)

Question			Answer	Mark	2
	(c)	ii	**Analyse one reason for DM of using the financial data in Fig.1 to make decisions about how to meet its sustainability objectives.** **Understanding may include:** • To measure performance – e.g., costs, revenue, profit margins • To see what is feasible / affordable / 'worth doing' • To support business planning • <u>Specific examples</u> of business decisions. **Application may include:** • About 16% profit margin for year (**OFR** from previous answer) • £382m spent on stock/£458m on other expenses • £1000m sales • £159m to split between retained profits / dividends / tax. **Analysis may include:** Common analytical comments (which must stem from the reason stated) include positive impacts on market share, revenue, profit, competitive advantage, reputation, efficiency, etc. **<u>Exemplar response</u>** Financial data can be used to analyse how a potential increase in costs will affect net profit **(1)**. If cost of sales increases by more than £160m **(APP)** then DM will make a loss **(1)**. **ARA**	3 AO1b AO2 AO3a	One mark for understanding a reason for using the financial data. *No further marks can be gained without understanding.* One <u>further</u> mark for application to the data in **Fig. 1**. APP One <u>further</u> mark for an analysis of the way the data could be used to make decisions. No reward for a reason 'to make decisions' unless there is a <u>specific example</u> of a decision a business would need to make, e.g. to change suppliers.

Question			Answer	Mark	2
	(d)		**Explain one way climate change may affect a business.** **Answers may include:** • Impact on what companies produce or what is demanded • Costs / availability / accessibility may change negatively • Encourages use of renewable energy • Creates business opportunities, e.g., need for insurance, sales of air conditioning etc. **<u>Exemplar response</u>** Could make it harder for firms to source its raw materials **(1)**. Due to more extreme weather **(1).** Increases insurance costs **(1)** as flooding may be more likely **(1)**. **ARA**	2 AO1a AO1b	One mark for identifying a basic impact of climate change to a business. One **further** mark for an explanation or development of the impact <u>linked</u> to climate change. *Answers do not need to relate to Dr Martens.* 'May need to be more environmentally friendly' is **TV**. Answers must be linked to climate change and not about general environmental issues or problems created by business activity (e.g., carbon footprint). Answers about basic changes in the weather (e.g., answers about seasonality) are not effects of climate change.
	(e)	i	**Analyse one disadvantage for DM of changing the supply chain for leather to meet its sustainability objectives.** **Understanding may include:** • Increased cost of raw materials • Problems sourcing materials • Poorer quality / less durable supplies • Time spent dealing with administrative changes / supply chain may be longer • May damage relationships with suppliers. **Application may include:** • Multinational company / operates across the world • Protecting resources for future generations / Impact on climate change	3 AO1b AO2 AO3a	One mark for a disadvantage of changing the supply chain. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Dr Martens. APP One <u>further</u> mark for analysis of the disadvantage of changing the supply chain. **NB:** Analysis must be business-facing.

Question			Answer	Mark	2
			• Part of sustainability strategy focused on planet and product • <u>Environmentally sustainable</u> farmers (**NOT** leather) • Requires careful planning by operations and finance department • Any reference to data in Fig.1. **Analysis may include:** Common analytical comments (which must stem from the reason stated) include negative impacts on market share, costs, revenue, profit, competitive advantage, reputation, efficiency, etc. **Exemplar response:** Environmentally sustainable farmers **(APP)** may be more costly **(1)**. This may reduce profits **(1)**. **ARA**		
	(e)	**ii**	**Analyse one advantage for DM of changing its packaging to meet its sustainability objectives.** **Understanding may include:** • Increased sales / customers / revenue • Better reputation / customer loyalty • Get subsidies • Pay less tax • Reduces waste. **Application may include:** • Aim is to ensure 100% recycled materials. • Multinational company / operates across the world • Protecting resources for future generations / Impact on climate change • Part of sustainability strategy focused on planet and product • Requires careful planning by operations and finance department • Any reference to data in Fig.1.	3 AO1b AO2 AO3a	One mark for an advantage of changing packaging. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Dr Martens. APP One <u>further</u> mark for analysis of the advantage of changing packaging. **NB:** Analysis must be business-facing. Answers MUST be about the change in packaging rather than generally being more sustainable. No reward for an answer of ‘it would be cheaper’ unless this is with reference to subsidies or lower taxes.

Question			Answer	Mark	2
			Analysis may include: Common analytical comments (which must stem from the reason stated) include positive impacts on market share, costs, revenue, profit, competitive advantage, reputation, efficiency, investment in other areas of the business, etc. **<u>Exemplar response</u>** DM may see an increase in sales **(1)** as customers like that it uses 100% recycled materials **(APP)**. This will lead to increased profits **(1)**. **ARA**		No reward for an impact on attracting more investors.
	(e)	iii	**Recommend which of the two sustainability objectives (the supply of leather or the change in packaging) DM should prioritise.** A full answer needs a supported judgement as to which objective should be prioritised. Further analysis of the two strategies should not be rewarded but can form part of a candidate's justification. Justification can be made using any combination of features/ advantages/disadvantages so long as a <u>comparison is being made</u> (i.e. a link between them as opposed to separate points). **<u>Exemplar response</u>** I think that DM should prioritise the change in packaging **(1)**. This is because trying to find sustainable leather may take a long time and requires a lot of planning, but the use of recycled materials in shoe boxes should be easier to source and put into the production line **(+2)**. *[A comparison answer which makes use of context.]* I believe DM should prioritise the changing of the packaging **(1)** as it would allow it to expand the target market and increase sales. On the other hand, changing the leather supplier may lead to issues with quality or communication difficulties which may reduce sales **(+1)**.	3 AO3b	One mark for a basic judgement on the objective to be prioritised. <u>Plus</u> Two <u>further</u> marks for justification by contrasting with the other objective, with **use of context**. *Double tick* <u>or</u> One <u>further</u> mark for justification by contrasting with the other objective, with **no use of context**. *Single tick* **NB:** Context, rather than application, required for full marks. **NB:** Justification is why one objective is BETTER THAN the other for the business (rather than just good for business). A comparison is required; therefore, the response **must cover both objectives** to gain a mark for justification. i.e. one objective **compared with** rejected option (even if the

Question			Answer	Mark	2
			[A comparison answer but no use of context.] DM should prioritise the sustainability objective of the supply chain for leather **(1)**. DM is a multinational business distributing across the world. This means it will lose sales if it does not change the supply chain. *[No comparison with changing the packaging even though answer does contain context - 1 mark is the maximum which can be awarded.]* **ARA**		comparative justification for the rejected option is basic e.g. 'cannot do …' or 'does not allow …'). **NB:** If two separate points are made, there must be a comparative link.

Question			Answer	Mark	Guidance
17	(a)		**State one reason why customer service is important to a business.** **Answers may include:** • Maintain sales / retain customers / customer loyalty • Increase sales / increase customers • Reputation / image. **ARA**	1 AO1a	One mark for a correct reason. *Answers do not need to relate to ROME-ing Pizza.* To 'keep customers satisfied' or 'meet customer needs' is **TV**.
	(b)		**State two advantages to a business of having an overdraft.** **Answers may include:** • Can pay short term expenses (**not** equipment) of a business • Can allow the business to continue to trade (make purchases) • Allows the business to spend more money than it has • The amount can vary as needed • Only need to pay interest on the amount borrowed • May already be set up and does not have to be rearranged (unlike a loan). **ARA**	2 AO1b	One mark for each correct advantage of using an overdraft, up to a maximum of two marks. *Answers do not need to relate to ROME-ing Pizza.* No reward for it is 'short-term', 'easy' or 'quick'.
	(c)	i	**Explain why cash is important to a business.** **Answers may include:** • To meet short term debts and expenses – if it cannot pay these a business will get into difficulties / close. • Liquidity – to ensure that the business has sufficient funds to keep it running (survival). **ARA**	2 AO1a AO1b	One mark for identifying why cash is important, plus one **further** mark for explaining the importance. *Answers do not need to relate to ROME-ing Pizza.* Cash is not used for long-term items or expansion. Only accept references to items which are clearly short-term. 'To survive' or 'to continue operating' is the explanation rather than the reason. No reward for answers which confuse cash and profit.

Question			Answer	Mark	Guidance
	(c)	ii	**Calculate the average rate of return (ARR) for the new coffee machine. Show your workings.** £36,250 - £7000 = £29 250 (1) £29,250/5 years = £5850 (1) **OFR** (£5850/£7000) x 100 = **83.57%** (1) **OFR** **NB:** Accept 83.6% or 84% due to rounding.	3 AO2	Up to three marks for correct answer (with or without workings). No marks for the formula One mark for calculating profit One mark for calculating average profit One mark for calculating ARR *An answer which does not deduct the cost of the machine can gain up to two marks:* *£36,250/5 = £7250* ***OFR*** *£7250/£7000 x 100 = 103.6% (104%)* ***OFR***
	(c)	iii	**Analyse the change in the cost of the pizza dough between 2022 and 2024.** **Exemplar responses** Costs (of pizza dough) have increased **(1)** by £1125 or 3.9% **(APP)** so that profits will fall/prices will need to increase **(1)**. Costs (of pizza dough) have increased **(1)** from £28,500 to £29,625 **(APP).** Costs (of pizza dough) have remained unchanged **(1)** at 25% of the total **(APP)**. Analysis may come from the impact on: • profits • prices • choice of supplier. **ARA**	3 AO1b AO2 AO3a	One mark for understanding what happened to costs. *No further marks can be gained without understanding.* One further mark for application to the data about pizza dough in Figs. 2 & 3. APP One further mark for an analysis of the impact of the increase in costs. Only reward answers about the cost of pizza dough.

Question			Answer	Mark	Guidance
	(d)	i	**State two factors that influence where to locate a business.** **Answers may include:** • Costs • <u>Proximity</u> to market / customers (accept 'footfall') • <u>Proximity</u> to competitors • <u>Proximity</u> to suppliers / raw materials • <u>Proximity</u> to labour • Government incentives • Transport infrastructure.	2 AO1a	One mark for each correct factor, up to a maximum of two marks. *Answers do not need to relate to ROME-ing Pizza.* 'Competition', 'population' and 'customers' are **TV**. Accept 'location' as an alternative to 'proximity'.
	(d)	ii	**Discuss whether Riley should relocate to a restaurant or continue to operate from the caravan.** **Application may include:** • Sole trader • Wants to buy a new coffee machine in the caravan • Attends festivals/markets/private events • Concerns about the costs of the caravan increasing • Restaurant is in the town centre • Any reference to data in Figs. 2, 3 & 4. **Analysis may include:** • Permanent town centre location could be costly to set up • Town centre location will put her near to customers • It may be easier to get ingredients delivered • There will be other attractions bringing customers into the town, gaining more passing trade • There will be more competition from other restaurants in the town centre • May have loyal customers at the festivals, markets and events who will not travel into the town to buy her pizza.	7 AO2 AO3a AO3b	**Use marking grid to assess skill levels.** Annotate as: APP Up to 2 marks for application **(AO2)** to ROME-ing Pizza Up to 2 marks for analysis **(AO3a)** AN Up to 3 marks for evaluation **(AO3b)** EVAL **NB**: Context must be <u>used</u> to be awarded as application. **NB:** Analysis must be a business-facing impact. For strong evaluation, i.e., the full three marks, the evaluation must be contextual. There needs to be a minimum of two analytical points, but these may be about the pros and cons of one option, or one point about each option.

Question			Answer	Mark	Guidance
			Evaluation may include: • Town centre location has more customers every day. • Caravan has a reputation has built up at the markets and events. **<u>Exemplar response</u>** Riley could move to the town centre location and gain more customers **(AN)** as she would be open every day not just at events and markets **(APP)**. She could continue to use the caravan as she is looking to put in a coffee machine **(APP)** and attract more customers that way. She has a reputation at the markets and festivals that keep customers coming back **(AN)**. I think she should look to move into the restaurant **(EVAL)**. Here she will earn more money from being open every day and can establish herself in one location with loyal customers **(EVAL)** **(EVAL)**. **ARA**		

17 d(ii) Discuss whether Riley should relocate to a restaurant or continue to operate from the caravan.

<table>
<tr><th></th><th>Application – AO2
(2 marks)</th><th>Analysis – AO3a
(2 marks)</th><th>Evaluation – AO3b
(3 marks)</th></tr>
<tr><td>Strong</td><td rowspan="2">2 marks

Two <u>uses</u> of context

[APP]
[APP]</td><td rowspan="2">2 marks

Two (business-facing) pieces of analysis of the location options for Riley

[AN]
[AN]</td><td>3 marks

A justified contextual judgement about the location Riley should choose.

[EVAL]
[EVAL]
[EVAL]</td></tr>
<tr><td>Good</td><td>2 marks

A justified judgement as to the location Riley should choose.

[EVAL]
[EVAL]</td></tr>
<tr><td>Limited</td><td>1 mark

One <u>use</u> of context

[APP]</td><td>1 mark

One (business-facing) piece of analysis of the location options for Riley

[AN]</td><td>1 mark

A decision as to the location Riley should choose.

[EVAL]</td></tr>
</table>

Question			Answer	Mark	Guidance
18	(a)		**State one method of selling.** **Answer may include:** • E-commerce / online sales / website • Face to face • Telesales • M-commerce	1 AO1a	One mark for a correct method of selling. *Answers do not need to relate to Gymshark*
	(b)		**Analyse one likely impact on Gymshark Ltd's customer service of using technology such as Artificial Intelligence (AI) within its App.** **Understanding may include:** • Contact between the business and customer before, during or after the sales process (e.g. quick resolution of complaints, personalised e-mails, easy return policy) • Increased customer engagement (e.g. positive experience) • Includes product knowledge. **Application may include:** • Focuses on mid- to high-priced sportswear • Sells to 180 countries • Website in 13 languages • Use of social media – 120 influencer & 7 million Instagram followers • $270m raised for expansion • App combines shopping and fitness tracking • Facing a tough economic climate • Continues to innovate. **Analysis may include:** Common analytical comments (which must stem from the reason stated) include impacts on customers; being able to make informed decisions, being more likely to purchase goods, not liking the App	3 AO1b AO2 AO3a	One mark for understanding of customer service. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Gymshark. APP One <u>further</u> mark for analysis of the impact on customer service. Answers do not have to refer to any particular example of technology. The focus of an answer should be the impact on the customer and how they may react, not the impact on the business' sales/profits, etc. Customer service or customer satisfaction getting better or worse is **TV.** The impact may be positive or negative for the customer.

Question			Answer	Mark	Guidance
			and its recommendations, putting customers off buying more, feeling valued. **<u>Exemplar response</u>** The app will allow increased customer engagement with customers **(1)**. This will allow Gymshark to make recommendations to customers based on the fitness tracking **(APP)** which may help customers to make more informed decisions **(1)**. **ARA**		
	(c)		**Analyse one advantage for Gymshark Ltd of operating as a multinational company (MNC).** **Understanding may include:** • Increasing sales / markets / customers / revenue • Spreading the risk across markets should one fail • Lower costs from using resources in different countries • Tax avoidance by locating in lower taxed countries • Global brand creating customer trust. **Application may include:** • Factories around the globe • Offices in London, Hong Kong, Mauritius and Denver • Focuses on mid- to high-priced sportswear • 180 different countries • Website in 13 languages • Tough economic climate – "recovery not expected until 2027" • Pioneering use of social media. **Analysis may include:** Common analytical comments (which must stem from the reason stated) include positive impacts on market share, costs, revenue,	3 AO1b AO2 AO3a	One mark for advantage of operating as a multinational company. *No further marks can be gained without understanding.* One <u>further</u> mark for application MNC to Gymshark. APP One <u>further</u> mark for analysis of the advantage to a business. **NB:** Analysis must be business-facing.

Question			Answer	Mark	Guidance
			profit, competitive advantage, reputation, efficiency, risk, innovation, etc. **<u>Exemplar response</u>** Being a multinational helps to keep costs low **(1)**. Gymshark can use factories all around the globe **(APP)** to find the cheapest production methods so it can charge lower prices **(1)**. **ARA**		
	(d)	i	**Analyse one advantage and one disadvantage for Gymshark Ltd of raising additional finance by issuing shares.** **Application may include:** • Is a private limited company • Founded in 2012 • It is a multinational • Sells in 180 countries • Large social media following • Previously raised £270m by selling shares ○ Funded retail store on Regent Street in London ○ Funded the new app • Continues to expand globally • Tough economic climate – recovery not expected until 2027. *<u>Advantage of issuing shares</u>* **Understanding may include:** • <u>A lot of finance</u> can be raised • Does not have to be paid back • No interest payable • New investors may have some expertise to bring to the business. **Analysis may include:** • Money can be used to fund more expansion	6 AO1b AO2 AO3a	<u>Advantage</u> One mark for an **advantage** of issuing shares. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Gymshark. APP One <u>further</u> mark for analysis of the given advantage for a business. **NB:** Analysis must be business-facing.

Question			Answer	Mark	Guidance
			• Liabilities would not increase • No interest means it is a cheaper way to raise finance *<u>Disadvantage of issuing shares</u>* **Understanding may include:** • Reduces degree of ownership of current shareholders • Dividends will need to be paid to new shareholders • New shareholders have a say in how the company is run • May struggle to sell more shares given the 2020 share sale • Runs the risk of a takeover. **Analysis may include:** • Paying more dividends leaves less profits to invest in growth (**NOT** a decrease in profits). • May cause conflict and slow decision making with more shareholders. **<u>Exemplar response</u>** If Gymshark needs to raise a lot of money **(1)** for another store like the one on Regent Street **(APP)** it can expand more quickly **(1)**. New shareholders may want a say in how Gymshark is run **(1)**. This could lead to conflict or slower decision making **(1)** in the business which may mean it takes longer to respond to the challenging economic climate **(APP)**. **ARA**		No reward for 'it does not cost any/much money' or that it is 'quick'. No reward for answers generally about raising finance. <u>Disadvantage</u> One mark for a **disadvantage** of issuing shares. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Gymshark. APP One <u>further</u> mark for analysis of the given disadvantage for a business. **NB:** Analysis must be business-facing. No reward for answers which make reference to changing the business to become a plc.

Question			Answer	Mark	Guidance
	(d)	ii	**Recommend whether Gymshark Ltd should use a share issue or retained profit to fund future expansion.** A full answer needs a justified judgement based on the context. Further analysis of the advantages / disadvantages should not be rewarded but can form part of a candidate's justification. **<u>Exemplar response</u>** Gymshark should use retained profits **(1)**. While issuing shares is a good route, they have just issued £270m so a new issue would dilute ownership even more. They should try to use money that they already have and as a global company their retained profits should be at a good level **(+2)**. *[A comparison answer which makes use of context.]* I recommend that Gymshark should use retained profits **(1)** because if it sells shares to expand then these new shareholders may slowly take some control over the business whereas using your own profits you do not hand over any control. **(+1)** *[A comparison answer but no use of context.]* It should use retained profits **(1)** as no interest is paid. Gymshark currently faces problems with the economic climate so not paying interest will save costs. Using a share issue can help raise large amounts of money such as the £270m in 2020. *[Two separate statements and although there is context there is no comparison made so 1 mark is the maximum which can be awarded.]* **ARA**	3 AO3b	One mark for a basic judgement whether Gymshark should use shares or retained profits to expand. <u>Plus</u> Two <u>further</u> marks for a justification of whether Gymshark should use shares or profits to expand, with **use of context** *Double tick* <u>or</u> One <u>further</u> mark for justification of whether Gymshark should use shares or profits to expand, with **no use of context**. *Single tick* **NB:** Context, rather than application, required for full marks. **NB:** Justification is why one method is BETTER THAN the other for the business (rather than just good for business). A comparison is required; therefore, the response **must cover both methods** to gain a mark for justification. i.e. one method **compared with** rejected method (even if the comparative justification for the rejected option is basic e.g. 'cannot do …' or 'does not allow …'). **NB:** If two separate points are made, there must be a comparative link.

<table>
<tr><th colspan="3">Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td>(e*)</td><td></td><td>Evaluate whether the economic climate is likely to affect Gymshark Ltd’s marketing decisions.

Knowledge may include:
• The state of the economy that the business operates in
• How well an economy is doing.

Understanding may include:
• Consumer income levels
• Levels of (un)employment
NB: Accept other economic measures which indicate the current state of the economy.

Application may include:
• Product decisions – design, innovation, etc.
• Price – different pricing methods or decisions
• Promotion methods – e.g. social media, influencers
• Distribution channels – digital and physical
• Market segmentation – target marketing
• Market research.

Analysis may include:
• may need to design a more affordable range
• may need to change its pricing strategies
• change promotion spending based on how much money consumers have
• may need to think about its retail store and whether it is the best distribution channel.

Evaluation may include:
• Will have an impact as clothing is high priced and people may not have money to spend on these goods.
• May not impact as they have loyal customers and the economy is supposed to improve in two years</td><td>9
AO1a
AO1b
AO2
AO3a
AO3b</td><td>Use marking grid to assess skill levels.

Annotate as:
1 mark for knowledge (AO1a) K
1 mark for understanding (AO1b) U
Up to 2 marks for synoptic application* (AO2) APP
Up to 2 marks for analysis (AO3a) AN
Up to 3 marks for evaluation (AO3b) EVAL

*Application refers synoptic application only.

For strong evaluation i.e. the full three marks, the evaluation must be contextual.

Knowledge – what is the economic climate?

Understanding – stated examples of economic variables which indicate the economic climate (e.g., consumer income, unemployment/employment, GDP).

Application – specific examples of two different marketing <u>decisions</u> (i.e., any decisions linked to the 4Ps.) NB: This is NOT application to Gymshark. [No reward for strategic decisions, such as ‘global expansion’.]

Analysis – how the economic climate may or may not affect each marketing decision (the impact on the decision).

Evaluation – the decision must be explicit for 1 mark. For two marks there must be a valid justification. For strong evaluation i.e., the full three marks, the evaluation must be contextual <u>to Gymshark</u>.</td></tr>
</table>

Question			Answer	Mark	Guidance
			<u>Exemplar response</u> The economic climate is how well the economy is doing **(K)**. This includes the level of consumer income **(U)**. If the economic climate is not improving until 2027 then Gymshark may have to look at how it prices **(APP)** the sportswear. If people have less money, it may need to price more competitively **(AN)**. Gymshark may also look at how it distributes products **(APP)**. It may need to focus on using the website which is cheaper to run than opening more stores which are more expensive **(AN)**. I think that the economic climate will impact on Gymshark's marketing decisions **(EVAL)**. If consumer incomes are not improving, it will struggle to make sales and will need to look at the different elements of the 4Ps **(EVAL)** to make sure that the mid- to high-priced sportwear is still attractive to the consumer **(EVAL)**. **ARA**		

18e Evaluate whether the economic climate will affect Gymshark's marketing decisions.

<table>
<tr><th></th><th>Knowledge – AO1a
(1 mark)</th><th>Understanding – AO1b
(1 mark)</th><th>Application – AO2
(2 marks)</th><th>Analysis – AO3a
(2 marks)</th><th>Evaluation – AO3b
(3 marks)</th></tr>
<tr><td>Strong</td><td rowspan="3">1 mark

Knowledge of economic climate

[K]</td><td rowspan="3">1 mark

Understanding of economic climate

[U]</td><td rowspan="2">2 marks

Two different examples of marketing decisions

[APP]
[APP]</td><td rowspan="2">2 marks

Two (business-facing) pieces of analysis which shows how two different marketing decisions affected by the economic climate.

[AN]
[AN]</td><td>3 marks

A justified contextual judgement about whether marketing decisions are affected by the economic climate.

[EVAL]
[EVAL]
[EVAL]</td></tr>
<tr><td>Good</td><td>2 marks

A justified judgement about whether marketing decisions are affected by the economic climate.

[EVAL]
[EVAL]</td></tr>
<tr><td>Limited</td><td>1 mark

One example of a marketing decision

[APP]</td><td>1 mark

One (business-facing) piece of analysis which shows how a marketing decision is affected by the economic climate.

[AN]</td><td>1 mark

A judgement on whether marketing decisions are affected by the economic climate.

[EVAL]</td></tr>
</table>

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