



GCE A LEVEL MARKING SCHEME

AUTUMN 2020

**A LEVEL
BUSINESS - COMPONENT 2
A510U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2020 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE A LEVEL BUSINESS - COMPONENT 2

AUTUMN 2020 MARK SCHEME

Q.		Total
1. (a)	<p>Define the term m-commerce.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for limited definition. Understanding may be superficial. Award 2 marks for detailed definition. Good understanding is shown.</p> <p>Indicative content:</p> <p>M-commerce is the buying and selling of goods and services online (1) through wireless handheld devices such as mobile phones. (1)</p>	2

Q.		Total
(b)	<p>Calculate the percentage change in m-commerce retail sales between 2016 and 2021.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for the correct workings. Award 1 mark for the correct final answer.</p> <p>If correct answer is given but not expressed as a %, award 1 mark.</p> <p>Indicative content:</p> <p>Percentage change = $\frac{\text{Difference}}{\text{Original}} \times 100$</p> <p>$\frac{61.55 - 27.49}{27.49} \times 100 = 123.89\%$</p> <p>(N.B Will accept 123.9% but not 123.8% or 123% or 124%)</p>	2

1. (c)	Explain how the information in Figure 1 and Figure 2 would impact a retailer. [4]	
Band	AO2	AO3
	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to the data in both Figure 1 and Figure 2.</p> <p>There is direct and clear reference to the context and the data given.</p>	<p>2 marks</p> <p>Good analysis of how the data in Figure 1 and Figure 2 will impact a retailer.</p> <p>Argument(s) made is/are well developed, with logical chains of reasoning shown.</p>
1	<p>1 mark</p> <p>Limited application to the data in one or both charts.</p> <p>The response is mainly theoretical, with limited reference made to the context and the data given.</p>	<p>1 mark</p> <p>Limited analysis of how the data in Figure 1 and Figure 2 will impact a retailer.</p> <p>The argument(s) is/made are brief and under developed.</p>
0	<p>0 marks</p> <p>No application to the data given.</p>	<p>0 marks</p> <p>No analysis is shown.</p>

Indicative content:

Figure 1 shows us that retail sales using m-commerce is forecasted to continue growing every year between 2016 and 2021, and by 2021 is expected to have more than doubled in size from 2016 (increase of 123.89%), showing that more consumers are buying online using mobile devices.

Figure 2 shows us that more and more of total retail sales are being made online. This could be because total retail sales are growing, or more likely that high street sales are falling, and more people are buying online instead.

This data could be useful to a retailer in several ways:

- Indicate to them that they need to focus more attention on their online sales and reduce their high street presence.
- Increase the appeal of high street shopping e.g. advertising or special offers to try and maintain growth in both areas.
- Invest in the development of online technology, especially apps, as this is likely to make m-commerce even easier for consumers.
- According to Figure 2 there is a peak in online sales every Christmas, and this increase has grown between 2006 and 2018, suggesting people switch to online shopping more so at Christmas. Retailers could look at this data to prepare for the increase, and also to bring more appeal to high street shopping at this time, such as longer trading hours.

Q.		Total
2. (a)	<p>Calculate the annual depreciation of the digger using the straight-line method. Show your workings.</p> <p>Award 1 mark for correct formula AO1: 1 mark Award 1 mark for correct answer AO2: 1 mark</p> <p>Award 2 marks for correct answer with no workings.</p> <p>Indicative content:</p> <p>Formula: $\frac{\text{Original cost} - \text{Residual Value}}{\text{Lifespan of asset (years)}} \quad (1)$</p> $\frac{18\,000 - 2\,000}{10} = \text{£}1\,600 \text{ per annum } (1)$	2

Q.		Total
(b)	<p>Calculate the average rate of return on the proposed investment. Give your answer to 2 decimal places.</p> <p>Award 1 mark for knowledge of the formula. AO1: 1 mark Award 1 mark for calculating average annual profit. AO2: 1 mark Award 1 mark for the correct final answer. AO2: 1 mark</p> <p>Indicative content:</p> <p>ARR = $\frac{\text{Net return (profit) per annum}}{\text{Initial cost of the investment}} \times 100 \quad (1)$</p> <p>Total cumulative cash flow: £3 650 x 10 = £36 500 Total profit = £36 500 – £18 000 = £18 500 Average annual profit = £18 500/10 = £1 850 (1)</p> <p>ARR = $\frac{\text{£}1850}{\text{£}18\,000} \times 100 = 10.28\% \quad (1)$</p> <p>Award 1 mark if initial investment not included in the calculation of profit so the answer = 20.28%</p> <p>Correct answer with no workings should be awarded all 3 marks.</p>	3

Q.		Total
(c)	<p>Calculate the gearing ratio, without the proposed investment in the digger. Give your answer to 2 decimal places.</p> <p>Award 1 mark for the correct formula AO1: 1 mark Award 1 mark for correctly calculating capital employed AO2: 1 mark Award 1 mark for the correct answer AO2: 1 mark</p> <p>Indicative content:</p> <p>Gearing Ratio: $\frac{\text{Long term liabilities (non-current liabilities)}}{\text{Capital Employed}} \times 100$ (1)</p> <p>Capital Employed: Long term liabilities + Shareholders' funds : £4 600 + £8 400 = £13 000 (1)</p> $\frac{\pounds 4\,600}{\pounds 4\,600 + \pounds 8\,400} = \frac{\pounds 4\,600}{\pounds 13\,000} \times 100 = 35.38\% \text{ (1)}$ <p>35.4% with workings should be awarded 1 mark.</p>	3

2. (d)	Using your calculations and other relevant information, consider whether Green Gardens Ltd should invest in the new digger. [8]		
Band	AO2	AO3	AO4
	2 marks	2 marks	4 marks
3			<p>4 marks</p> <p>Excellent evaluation of the decision to invest in the digger.</p> <p>Reference is made to the context to support their judgements.</p> <p>Relevant judgement is made based on at least two of the calculations and qualitative information</p> <p>The answer will contain an overall decision</p>
2	<p>2 marks</p> <p>Good application to Green Gardens Ltd.</p> <p>The candidate will draw on both the quantitative and qualitative information</p>	<p>2 marks</p> <p>Good analysis of whether Green Gardens Ltd should invest in the new digger is given.</p> <p>The analysis is likely to be well developed.</p> <p>The candidate will draw on at least two of the calculations and the other information in the analysis.</p>	<p>2-3 marks</p> <p>Good evaluation of the decision to invest in the digger.</p> <p>The candidate makes partial judgements with some attempt to support their evaluation.</p> <p>Reference to at least two of the calculations and qualitative information to support their judgement.</p> <p>The answer is likely to contain a decision</p>
1	<p>1 mark</p> <p>Limited application to Green Gardens Ltd.</p> <p>The candidate is likely to draw on either quantitative OR qualitative information.</p>	<p>1 mark</p> <p>Limited analysis of whether Green Gardens Ltd should invest in the new digger is given.</p> <p>Arguments are likely to be brief and undeveloped.</p> <p>Arguments are likely to focus on calculations or the other given information.</p>	<p>1 mark</p> <p>Limited evaluation of the decision to invest in the digger.</p> <p>Unsupported and limited judgements are made and are often likely to be superficial.</p>
0	<p>0 marks</p> <p>No application to Green Gardens Ltd.</p>	<p>0 marks</p> <p>No analysis is given.</p>	<p>0 marks</p> <p>No judgement shown.</p>

Indicative content:

Depreciation shows that it will be worth only £2 000 after 10 years, having had an initial cost of £18 000 and depreciates at £1 600 per annum, but creates additional net cashflow of £3 650 per annum. As such adding value to the business but the net cashflow is only an estimate.

ARR is 10.28%. This is a sufficient level of ARR, which could be expected from an investment that requires a high initial outlay. Compared against current bank interest rates the investment gives a better return, but this should be monitored as interest rates are predicted to increase. However, Green Gardens Ltd would also have to weigh this up against the benefit of being able to complete jobs quicker.

Green Gardens Ltd currently has a gearing ratio of 35.38%. This is moderately geared and would be considered as a healthy level of gearing as it will be in a good position to repay its loans out of its profits. However, it could be said that the firm should take more investment risk if it is not trying to develop the business. However, if the firm decides to purchase the digger through a bank loan this would increase their gearing ratio (to 72.9%), making them highly geared. This would mean higher repayments, and as interest rates are predicted to rise, this would make these repayments even higher. However, the company could look for alternative ways to fund the investment that would not increase their liabilities, such as retained profit, but this may take longer to raise the finance.

Overall, it appears the company should be able to invest in the digger, even though it would make them highly geared if increased interest rates rise although interest rates currently in 2020 are at historic lows. However, from a qualitative point of view it would allow them to work faster, then they could take on more jobs if they wanted to, and further strengthen the finances of the business.

OFR applies according to previous question answers.

Q.		Total
3. (a)	<p>Outline what is meant by a tactical decision.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for limited definition. Understanding may be superficial. Award 2 marks for detailed definition. Good understanding is shown.</p> <p>Indicative content:</p> <p>Tactical decisions tend to be short to medium term and should aim to implement strategic decisions. They are usually carried out by middle management and are less complex and more flexible than strategic decisions.</p> <p>Credit may be given for examples, other than the one given in the context.</p>	2

Q.		Total
(b) (i)	<p>State the type of price elasticity of demand of a product with a value of -0.7.</p> <p>AO1: 1 mark</p> <p>Indicative content:</p> <p>The Protein Box is price inelastic.</p>	1

Q.		Total
(b) (ii)	<p>Suggest reasons why the Protein Box has a price elasticity level of demand of -0.7.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for each valid reason given.</p> <p>Indicative content:</p> <p>Products are likely to have inelastic demand when the levels of competition are low, when there are few substitutes, or the goods are necessities or perhaps addictive.</p> <p>In this case it is likely to be because the consumers are health conscious and are on specific diets, they will likely pay more for this. Also could be because there is no competition and low level of substitutes.</p>	2

3. (c)	Using the concept of price elasticity of demand, discuss whether it is a good idea to increase the price of the Protein Box. [6]		
Band	AO2	AO3	AO4
	2 mark	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to the context given and to the elasticity classification and how this will affect revenue.</p> <p>The response will consider wider issues surrounding this context.</p>	<p>2 marks</p> <p>Good analysis of the impact on revenue following a price change is shown.</p> <p>The impact on revenue is developed, with clear chains of argument made.</p>	<p>2 marks</p> <p>Good evaluation of the decision to raise the price of the Protein Box.</p> <p>The candidate makes clear judgement on whether this is a good idea and makes clear attempts to support their judgements.</p>
1	<p>1 mark</p> <p>Limited application to the context of the product and its elasticity.</p> <p>The response is mainly theoretical.</p>	<p>1 mark</p> <p>Limited analysis of the impact on revenue following a price change is shown.</p> <p>The impact on revenue is briefly discussed or is focused on sales/demand.</p>	<p>1 mark</p> <p>Limited evaluation of the decision to raise the price of the Protein Box is made.</p> <p>The candidate makes general comments that are not developed or quantified.</p>
0	<p>0 marks</p> <p>No application to The Health Bar is shown.</p>	<p>0 marks</p> <p>No analysis of the impact on revenue is shown.</p>	<p>0 marks</p> <p>No evaluation of the decision to increase the price.</p>

Indicative content:

The Protein Box is price inelastic which means that a change in price causes a less than proportional change in the quantity demanded. This means that businesses have much more control over the prices that they charge.

If The Health Bar chooses to increase the price of the Protein Box then they are likely to see an increase in revenue, as demand will only decrease by a little and the increased price will more than cover the fall in quantity. Therefore, based on this it would be a good idea to recommend that they increase the price. However, they will need to be aware of the actions of competitors and substitute goods, as this may affect the elasticity in the long term.

OFR – allow limited bands.

3. (d)	Explain why sales forecasting may be of use to The Health Bar. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of sales forecasting.</p> <p>A detailed description is given of what sales forecasting is.</p>	<p>2 marks</p> <p>Good application to The Health Bar.</p> <p>There is direct reference made to The Health Bar.</p>	<p>2 marks</p> <p>Good analysis of the usefulness of sales forecasting.</p> <p>The analysis will attempt to develop chains of arguments and gives a good explanation of the usefulness of sales forecasting with logical chains of reasoning.</p>
1	<p>1 mark</p> <p>Limited understanding of sales forecasting.</p> <p>Brief/undeveloped description is given.</p>	<p>1 mark</p> <p>Limited application to The Health Bar.</p> <p>The response is mainly theoretical with limited use of examples.</p>	<p>1 mark</p> <p>Limited analysis of the usefulness of sales forecasting.</p> <p>The analysis is likely to be undeveloped and the explanation will be brief.</p>
0	<p>0 marks</p> <p>No understanding of sales forecasting.</p>	<p>0 marks</p> <p>No application to The Health Bar.</p>	<p>0 marks</p> <p>No analysis of the usefulness of sales forecasting.</p>

Indicative content:

Sales forecasting is the science of predicting future demand by anticipating what consumers are likely to do in a given set of circumstances.

Reasons why sales forecasting is useful:

- So that a business can make products that are in demand.
- So the business can be prepared for the future and have the correct resources available including staff and raw materials.
- Helps with financial planning, especially cash flow management.
- Reduces the risk of unexpected surprises that could affect business performance.

Possible themes for application:

Especially useful for businesses who have perishable raw materials such as The Health Bar. Whilst it might be more difficult for relatively new businesses to forecast their sales accurately, it is just as important whilst levels such as staffing and stock need to be established, and cash flow management is extremely important when it is unlikely that there are large amounts of retained profit to rely on. Additionally, there is a trend towards healthy eating and healthy consumer lifestyles.

4.	Evaluate the view that vertical integration is a better growth method for businesses in the clothing industry than horizontal integration. [10]		
Band	AO2	AO3	AO4
	2 marks	4 marks	4 marks
3		<p>4 marks</p> <p>Excellent analysis of relative benefits of the different growth methods.</p> <p>The analysis is detailed and includes well-reasoned developments that give a good explanation of the options for growth.</p> <p>Logical chains of reasoning are used.</p>	<p>4 marks</p> <p>Excellent evaluation of which growth option is better for firms in the clothing industry.</p> <p>Clear reference to the context is given to support the judgement.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p> <p>For top marks in this band, there will be an overall conclusion.</p>
2	<p>2 marks</p> <p>Good application of the suitability of the different growth method(s) to businesses in the clothing industry.</p> <p>There is some direct reference to the context of businesses operating in the clothing industry.</p>	<p>2-3 marks</p> <p>Good analysis of the relative benefits the different growth methods.</p> <p>The analysis will attempt to develop chains of argument.</p>	<p>2-3 marks</p> <p>Good evaluation of the relative benefits of the different growth methods to businesses in the clothing industry.</p> <p>The candidate makes partial judgements with some attempt to support their evaluation.</p> <p>There is some reference to the context of businesses in the clothing industry to support judgements.</p>
1	<p>1 mark</p> <p>Limited application of the suitability of the different growth method(s) to businesses in the clothing industry.</p> <p>The response is mainly theoretical with little use of the context.</p>	<p>1 mark</p> <p>Limited analysis of the relative benefits of the different growth methods.</p> <p>The arguments are likely to be undeveloped.</p> <p>The explanation will be brief.</p>	<p>1 mark</p> <p>Limited evaluation of the relative benefits of the different growth methods is made.</p> <p>Unsupported and limited judgements are made and are often likely to be superficial.</p>
0	<p>0 marks</p> <p>No application to the context is given.</p>	<p>0 marks</p> <p>No analysis is given.</p>	<p>0 marks</p> <p>No evaluation is given.</p>

Indicative content:

Vertical integration is when a business merges with or takes over a business at either the previous or next stage in the production process. This can be either backwards vertical (taking over a supplier), or forwards vertical (taking over a customer).

Advantages could include:

- More control over the quality of the product throughout the supply chain.
- Reduction in costs of supplies as no profit margin is added on from external suppliers.
- Supplies and outlets are secured.
- Allows the firm to be closer to the consumer.
- Able to control developments and respond to changes in the market.

Disadvantages could include:

- Need for more skill/specialisation in different areas of the market.
- Initial capital outlay
- Diseconomies of scale

Horizontal integration is when a business merges with or takes over another in the same industry at the same stage of production.

Advantages could include:

- Economies of scale
- Reduction in competition/increase in market share and/or power
- Synergy

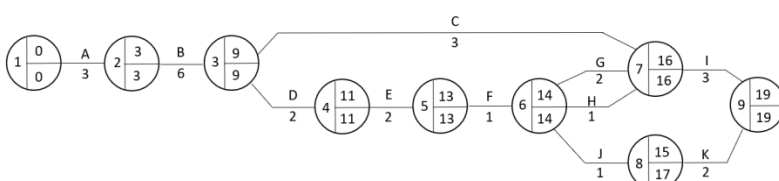
Disadvantages could include:

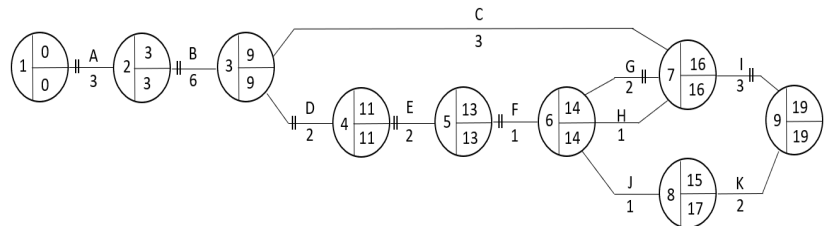
- Culture clashes
- Job losses
- Investigation from the CMA

Possible themes for application:

- Vertical integration may make it easier to respond to seasonal and fashion changes very quickly – essential in this market.
- Price is important in the high street fashion industry as many shops are in locations next to each other. Both growth methods could help this – horizontal through economies of scale and vertical through the elimination of a profit margin being added at different stages. However, it could also be argued that price is less relevant as consumers shop for the brand.
- In a relatively monopolistic market, reducing competition through horizontal integration is not going to have a huge impact as there will still be lots of other competitors.

Overall, both growth methods could be effective, however vertical integration could allow quicker response to market changes which could be argued as the most essential in the market. It depends on the capital available and the long-term objectives and strategy of the firm.

Q.		Total
5. (a)	<p>Use the information above to calculate:</p> <p>i) The duration of activity D ii) The earliest start time (EST) of activity I iii) The latest finishing time (LFT) of activity J</p> <p>AO2: 3 marks</p> <p>Award 1 mark for each correct answer.</p> <p>Correct answers:</p> <p>i) 2 weeks ii) 16 weeks iii) 17 weeks</p> 	3

Q.		Total
(b)	<p>Mark the critical path on the diagram.</p> <p>AO2: 1 mark</p> <p>Correct answer:</p> <p>CP: A,B,D,E,F,G,I</p> <p>N.B It is only acceptable to show the CP as either a single or double slash through the activity lines, or written out as above.</p> 	1

5. (c)	With reference to the data, consider ways in which the Project Manager could meet the customer’s earlier deadline of 17 weeks. [8]	
Band	AO2	AO4
	4 marks	4 marks
3	<p style="text-align: center;">4 marks</p> <p>Excellent application to the house building project.</p> <p>The response will make reference to both the diagram and the context of a house building project.</p>	<p style="text-align: center;">4 marks</p> <p>Excellent evaluation on if it is possible to meet the earlier deadline.</p> <p>Reference is made to the context to support their judgements.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p> <p>The candidate gives detailed suggestions on how the earlier deadline may be achieved.</p> <p>The answer is likely to contain an overall conclusion.</p>
	2	<p style="text-align: center;">2-3 marks</p> <p>Good application to the house building project.</p> <p>The candidate will draw on information from the given context and/or reference to features of the critical path diagram will be made.</p>
1		<p style="text-align: center;">1 mark</p> <p>Limited application to the house building project.</p> <p>There may be some reference to either the context or the given critical path diagram.</p>
	0	<p style="text-align: center;">0 marks</p> <p>No application to the house building project.</p>

Indicative content:

To meet the earlier deadline, activities on the critical path would have to be completed in a shorter time period. Therefore, the house builder should look to reduce the length of activities A, B, D, E, F, G and I. (OFR applies).

They could look to do this by allocating resources from the activities that have float time (C, H, J, K) to the critical activities. However, this is not always possible if the staff do not have the right skills to complete other activities. For example, whilst there is 4 weeks of float time on activity C, the labour designing the interior of the house is not likely to possess the skill to install windows or electrical systems for example. (N.B Candidates may consider that certain activities would alter the critical path if they took too long so they may wish to focus on the activities with the highest level of float time.)

Another way this could be achieved is by looking for ways to speed up the critical path activities. For example, reduce the time taken installing the electrical system by employing more electricians. However, this would increase costs so would need to be weighed up against the additional 5% bonus offered.

They would also need to consider the quality of the end product. This is important for several reasons including customer satisfaction, reputation and perhaps most importantly health and safety requirements.

Overall, it depends on the desire to meet the customers earlier deadline. If additional finance is provided it should be possible to speed up some of the activities, and it is only roughly taking 10% of the project duration off. However, they would need to consider whether they were willing to accept the reduced profit margins and weigh it up against the bonus being offered.

6. (a)	Explain one way a business could window-dress its accounts.		[3]
Band	AO1	AO3	
	1 mark	2 marks	
2		<p>2 marks</p> <p>Good explanation of one way a business could window-dress its accounts</p> <p>The explanation is likely to be clear and developed with a logical chain of argument.</p>	
1	<p>1 mark</p> <p>A valid way of window-dressing is given.</p>	<p>1 mark</p> <p>Limited explanation of one way a business could window-dress its accounts</p> <p>The explanation is likely to be brief and undeveloped.</p>	
0	<p>0 marks</p> <p>No valid ways of window-dressing are given.</p>	<p>0 marks</p> <p>No explanation of a way that could be used to window-dress accounts.</p>	

Indicative content:

Window-dressing is the manipulation of financial accounts by a business to improve the appearance of its performance.

Ways of window-dressing include:

- Manipulating the presentation of data to include when to record a sale onto the profit and loss account or making a special effort to dispatch all outstanding orders at financial year end.
- Changing the value of assets e.g. property.
- Overstating the value of intangible assets such as a brand.
- Hiding the cost of poor investments.
- Sale and leaseback of assets to improve the liquidity position.
- Use of exceptional and extraordinary items.
- Reducing the cost of depreciation e.g. instead of depreciating an asset such as a building over a 10 year period, could depreciate over 25 years instead.

6. (b)	Using profit margins ratios, the return on capital employed ratio and the other information provided, analyse and evaluate the business performance of Samsung. [14]																			
AO2: 1 mark is to be given for each correct pair of calculations. AO2: 3 marks																				
<table border="1"> <thead> <tr> <th data-bbox="312 387 512 427">Ratio</th> <th data-bbox="512 387 791 427">Formula</th> <th data-bbox="791 387 1078 427">2017</th> <th data-bbox="1078 387 1406 427">2016</th> </tr> </thead> <tbody> <tr> <td data-bbox="312 427 512 539">Gross Profit Margin</td> <td data-bbox="512 427 791 539">$\frac{GP}{Sales} \times 100$</td> <td data-bbox="791 427 1078 539">$\frac{97.5}{211.8} \times 100 = 46.03\%$</td> <td data-bbox="1078 427 1406 539">$\frac{72.1}{178.5} \times 100 = 40.39\%$</td> </tr> <tr> <td data-bbox="312 539 512 651">Net Profit Margin</td> <td data-bbox="512 539 791 651">$\frac{NP}{Sales} \times 100$</td> <td data-bbox="791 539 1078 651">$\frac{37.3}{211.8} \times 100 = 17.61\%$</td> <td data-bbox="1078 539 1406 651">$\frac{20.1}{178.5} \times 100 = 11.26\%$</td> </tr> <tr> <td data-bbox="312 651 512 763">Return on Capital Employed</td> <td data-bbox="512 651 791 763">$\frac{NP}{Cap Employed} \times 100$</td> <td data-bbox="791 651 1078 763">$\frac{37.3}{266.7} \times 100 = 13.99\%$</td> <td data-bbox="1078 651 1406 763">$\frac{20.1}{231.8} \times 100 = 8.67\%$</td> </tr> </tbody> </table>					Ratio	Formula	2017	2016	Gross Profit Margin	$\frac{GP}{Sales} \times 100$	$\frac{97.5}{211.8} \times 100 = 46.03\%$	$\frac{72.1}{178.5} \times 100 = 40.39\%$	Net Profit Margin	$\frac{NP}{Sales} \times 100$	$\frac{37.3}{211.8} \times 100 = 17.61\%$	$\frac{20.1}{178.5} \times 100 = 11.26\%$	Return on Capital Employed	$\frac{NP}{Cap Employed} \times 100$	$\frac{37.3}{266.7} \times 100 = 13.99\%$	$\frac{20.1}{231.8} \times 100 = 8.67\%$
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Max of AO2 2 for calculating all three profitability ratios for one year only.																				
Band	AO1	AO2	AO3	AO4																
	3 marks	4 marks	3 marks	4 marks																
3	<p>3 marks</p> <p>Excellent knowledge of the three profitability ratios.</p> <p>The candidate will correctly identify the three profitability ratios</p>	<p>4 marks</p> <p>All 3 profitability ratios are calculated correctly for both years.</p> <p>And the other information provided is used in the answer.</p>	<p>3 marks</p> <p>Excellent interpretation of the three profitability ratios for both years and the other data.</p> <p>The candidate will show a clear analysis of their calculations and the other data to analyse the impact on the company.</p> <p>Logical chains of reasoning will be shown.</p>	<p>4 marks</p> <p>Excellent evaluation of the figures with relevant points and qualifying statements with reference to both years.</p> <p>The evaluation will focus on the key financial data, and other qualitative information.</p> <p>Clear reference to the data and context to support their argument.</p> <p>For top marks in this band, the candidate will draw an overall conclusion.</p>																

2	<p>2 marks Good knowledge of the profitability ratios is shown.</p> <p>Correct identification of at least two of the profitability ratios is made.</p>	<p>2-3 marks Either</p> <p>All three profitability calculated correctly for both years.</p> <p>or</p> <p>At least two ratios are calculated correctly for both years.</p> <p>And the candidate has used the other information well to support their answer.</p> <p>or</p> <p>At least one ratio is calculated correctly for both years.</p> <p>And the candidate has used the other information to support their answer.</p>	<p>2 marks Good interpretation of at least two of the profitability ratios calculated.</p> <p>Realistic analysis is made but the explanation of the impact on the company lacks depth and is unsupported.</p>	<p>2-3 marks Good evaluation of the financial and non-financial performance is made.</p> <p>The evaluation will include some of the key financial data and qualitative information.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
1	<p>1 mark Limited knowledge of the profitability ratios is shown.</p> <p>Correct identification of at least one of the three ratios is made.</p>	<p>1 mark One ratio is calculated correctly for both years.</p> <p>or</p> <p>There may be some limited use of the other data and wider context.</p>	<p>1 mark Limited and unsupported analysis of the profitability ratios and/or the performance of the business.</p> <p>Use of the data is descriptive with little reference to the impact on the company and little or no reference to the calculations.</p>	<p>1 mark Limited or brief evaluation of the figures and/or the other data with limited judgement on their meaning for the business.</p> <p>Unsupported judgements are made.</p> <p>Reference may be made to only one year, or to only financial or non-financial data.</p>
0	<p>0 marks No knowledge of profitability ratios or other measures of performance is shown.</p>	<p>0 marks No application.</p>	<p>0 marks No analysis of the financial performance of Samsung is made.</p>	<p>0 marks No evaluation of the financial performance of Samsung is made.</p>

Indicative content:

Profitability Ratios:

The Gross Profit Margin (GPM) is an indicator of how efficient the business is at making and selling its product. Samsung's GPM has increased by 5.64%, which is a significant jump to make in one year. This could be regarded as a healthy level for GPM and is likely to be helped by the size of Samsung, as they should be able to take advantage of economies of scale when buying their materials from suppliers.

The Net Profit Margin (NPM) is a measure of how efficient the business is overall, and how well it manages its expenses. In this case, the NPM has increased by 6.35%, which suggests they have improved efficiency. This is a satisfactory level for this ratio, especially for such a large firm who could operate at a lower level if needed but should always be looking to improve the management of its expenses. This should mean there is a healthy level of profit to distribute to shareholders.

Return on Capital Employed (ROCE) measures how effectively the capital in a business is being used to generate profits i.e. the ability to generate a return from the money invested in it. Again, the trend from 2016 to 2017 is pleasing, as ROCE has increased by 5.32%, and is higher than the interest rates an investor would receive at the bank.

Overall, judging the three profitability ratios, Samsung is in a strong financial position, and the trend from 2016 to 2017 is extremely positive.

In terms of liquidity, the current ratio in both years means they have enough current assets to cover their short-term liabilities, showing a good position of liquidity. However, as the ideal benchmark is between 1.5:1 and 2:1, it could be said that in 2016 it was too high and not making productive enough use of its assets, and so in 2017, liquidity is healthier as it is closer to the ideal.

Other data provided:

Most of the other data shows that Samsung is performing extremely well both financially and non-financially. They continue to grow by acquiring other businesses, and through the increase of sales. They have an extremely recognisable brand across the world which seems to be strengthening despite setbacks in 2017. It could be argued therefore that this product fault was handled well with little damage to the brand on a worldwide scale. However, we are not given data in individual countries, so market share may have fallen where the negative press was the greatest.

Conclusion

Overall, it seems that the performance of Samsung is very strong both financially and non-financially. However, the financial data provided to 2017 does not include the patent fine in 2018, so the more recent data may reflect this. It would be useful to see more financial data of more years and of the whole industry to make more detailed judgements.