GradeMax

Mark Scheme (Results)

January 2015

Pearson Edexcel International Advanced Subsidiary in Business Studies (WBS01)

Unit 1: Business Enterprise

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General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed-out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Supported multiple choice

Question Number	Question	Marks
1 (a)	Answer: C (To work independently)	1 mark
1 (b)	**Explain why this answer is correct:** • Definition of independence e.g. free from outside control/not depending on authority of others (1) • To work on her own/to make her own decisions rather than take instructions from managers (1) • Develop/shape the business/drive the business in the direction she wants to go (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because self employed people will work the hours necessary to make their business successful (1) • B is incorrect because setting up a business is risky and does not offer any guarantee of job security (1) • D is incorrect because regular income cannot be guaranteed as it will be dependent on gaining revenues (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Question Number	Question	Marks
2 (a)	Answer: D (Ethical consideration)	1 mark
2 (b)	**Explain why this answer is correct:** • Definition of ethical consideration e.g. set of moral values that a business follows for the greater good (1) • Paying above the market price guarantees higher income for the suppliers (1) • That can be used in the community for better education (1) **OR** • This creates a better image for the business as consumer perceive the business is behaving responsibly to its suppliers (1) • Giving them a competitive advantage (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because even if the government intervene *Artisan du Chocolat* will still pay above the market price (1) • B is incorrect because this potentially relates to their target market but not to the price they pay for the beans (1) • C is incorrect because paying a higher price will reduce the profit margin which is not a profit maximising action(1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Question Number	Question	Marks
3 (a)	Answer: B (Resilient personality)	1 mark
3 (b)	**Explain why this answer is correct:** • Definition of entrepreneurial characteristics e.g. personality traits that an entrepreneur will have in order to start and run a successful business (1) • Ralph loses his business and goes to considerable lengths to restart it eg re-mortgages his house (1) • He is not willing to accept defeat/closure and is determined to continue, which demonstrates resilience **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because profit satisficers would have borrowed the minimum amount of money (1) • C is incorrect because Ralph Lucchi has not indicated any intention to reinvest profits in any social enterprise, which is an entrepreneurial motive rather than a characteristic (1) • D is incorrect because a risk avoider would not risk his house (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Question Number	Question	Marks
4 (a)	Answer: A (Trade credit)	1 mark
4 (b)	**Explain why this answer is correct:** • Definition of Trade credit e.g. given by suppliers allowing a business to purchase stock and material with payment at a later date (1) • Trade credit is the most suitable because it allows *Maris Sal* to obtain small amounts of raw materials to manufacture products for sale (1) • Because payments can be made to suppliers once the stock is sold (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect because debentures offer longer term finance usually to develop larger capital projects, which is not what *Maris Sal* requires to purchase materials to make jewellery (1) • C is incorrect because *Maris Sal* would not issue share capital to purchase materials to produce their jewellery because share ca[ital. is used to raise large sums of money, not to purchase stock (1) • D is incorrect because if *Maris Sal* took out a medium term method of finance like a commercial bank loan they would be required to make immediate repayments and pay interest and may have to refinance to re-stock when everything was sold (1) **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Question Number	Question	Marks
5 (a)	Answer: D (costs of supplies)	1 mark
5 (b)	**Explain why this answer is correct:** • Definition of Inflation e.g. is the rate at which the general level of prices for goods and services is rising (1) • Suppliers to *Tata Motors* are likely to face demands for higher wages and face increased raw material costs themselves (1) • This means suppliers are likely to charge *Tata Motors* higher prices to maintain profitability (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because exports are more likely to fall than increase. *Tata Motors* goods may become less price competitive internationally due to inflation (1) • B is wrong because at times of higher inflation *Tata Motors* would be most likely to decrease staff levels because of falling demand caused by inflation (1) • C is wrong because there is likely to be a fall in demand as prices rise due to higher inflation and consumers will have less disposable income and be paying higher prices for vital goods such as food, housing and utilities (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Question Number	Question	Marks
6 (a)	Answer: C (Supply of components)	1 mark
6 (b)	**Explain why this answer is correct:** • Definition of supply e.g. supply is the amount of goods/services that a producer is willing and able to supply at a given price at a given time (1) • An increase in the supply of components should lead to a decrease in the price of these components which will lower the costs of production for Apple (1) • The cost savings may be passed on to consumers in the form of lower prices (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because an increase in the rate of sales tax is likely to increase prices because the tax will be mostly passed on to the consumer as a higher price (1) • B is incorrect because increasing consumer incomes will shift the demand curve to the right therefore increasing price (1) • D is incorrect because extra advertising costs would lead to an increase in prices due to an higher overall costs (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **Total 4 marks**

Section B: Data response

Question Number	Question	Marks
7	Explain **two** features of the *Hummingbird Bakery*'s products that give it a competitive advantage.	6 marks
	Answer	
	(Knowledge 2, Application 2 Analysis 2) **Knowledge/understanding:** up to 2 marks for defining/explaining that competitive advantage is a unique aspect of the business that competitors cannot easily imitate which can be based on innovation/reputation/relationships/quality/cost/ price **(2)** **OR** Identifies two features such as Authentic American style cupcakes/ using the same techniques as home-baking. **Application:** up to 2 marks Features of products contributing to *Hummingbird Bakery*'s success is that their cakes are baked fresh each day in each branch, rather than mass produced, delivered to and stored for several days **(1)** The *Hummingbird Bakery* offers different types and flavours of cakes such as those from the US **(1)** **Analysis:** up to 2 marks – for these reasons Because the products are freshly made and baked on the premises and customers perceive this as a quality product leading to sales of 22,000 cupcakes each week **(1)** Substantial differentiation such as American flavours and styles help *The Hummingbird Bakery* create a unique product that customers seek out **(1)** **If only one aspect covered, maximum mark of 3.**	1-2 marks 1-2 marks 1-2 marks

Question Number	Question	Marks
8 (a)	Evidence A states that Tarek opens each new branch in the UK with the profits from existing ones. (a) Explain **two** methods Tarek could use to improve profitability.	6 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 2) **Knowledge / understanding:** up to 2 marks - Definition of profitability – the ability to generate earnings over and above expenses **(2) OR** reduce costs, increase prices **(2)** **Application:** up to 2 marks - Tarek could replace expert bakers with lower skilled workers who will be paid lower wages **(1)** H*ummingbird Bakery* currently sells 22,000 cupcakes every week **(1)** **Analysis:** up to 2 marks –Lower staff costs would reduce overall costs and increase profitability **(1)** On sales of 22,000 cupcakes every week, even a small increase in price will increase profitability **(1)** **If only one method covered, maximum mark of 3.**	1-2 marks 1-2 marks 1-2 marks

Question Number	Question	Marks
8 (b)	Websites such as Trip Advisor (Evidence B) display reviews from customers. (b) Explain how reviews on websites such as Trip Advisor can impact on the *Hummingbird Bakery*.	6 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 2) **Knowledge:** up to 2 marks Some customers will search for reviews on websites before deciding whether to visit the business or not **(1)** Potential customers will either be attracted or repelled, depending on the reviews posted **(1)** **Application:** up to 2 marks are available for relating the above to the *Hummingbird Bakery*, e.g. Website's such as Trip Advisor communicate public opinion instantly, and remain to be read by anyone at any time **(1)** websites such as Trip Advisor rank them according to best businesses in the area – *Hummingbird Bakery* ranked 657 out of 14,645 **(1)** **Analysis:** up to 2 marks are available for providing reasons/causes/consequences, etc. e.g. Positive reviews can contribute to increases sales and profitability by encouraging new customers **(1)** Negative reviews can dissuade potential customers which means little growth, lower revenues and profits **(1)**	1-2 marks 1-2 marks 1-2 marks

<table>
<tr><th>Question Number</th><th>Question</th><th>Marks</th></tr>
<tr><td>9 (a)</td><td>The following is an extract from Hummingbird Bakery's statement of comprehensive income as at June 2013

<table>
<tr><td>Extracts</td><td>£</td></tr>
<tr><td>Revenue</td><td>5 536 614</td></tr>
<tr><td>Cost of sales</td><td>(950 406)</td></tr>
<tr><td>Gross profit</td><td>4 586 208</td></tr>
<tr><td>Other operating expenses</td><td>(4 612 839)</td></tr>
<tr><td>(Loss)/Profit for the year</td><td>(26 631)</td></tr>
</table>

(a)Calculate Hummingbird Bakery's gross profit margin. (Show your working).</td><td>4 marks</td></tr>
<tr><td></td><td>Answer</td><td></td></tr>
<tr><td></td><td>(Knowledge 1, Application 3)

Knowledge: Correct formula for calculating gross profit margin [Gross Profit/Revenue (sales) * 100= Gross Profit Margin](1)

Application: £4 586 208(1)/£5 536 614 (1)*100 = 82.83%/82.8% only (1)

Candidates who give correct answer without formula shown gain full marks (knowledge implied).

N.B. answer must be expressed as a percentage, if not maximum 3 marks.</td><td>1 mark

1-3 marks</td></tr>
</table>

Question Number	Question	Marks
9 (b)	Tarek has set up the *Hummingbird Bakery* as a private limited company. Assess the advantages to Tarek, of using this form of business structure.	8 marks

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of private limited company must be present.	e.g. Private limited company has limited liability which means a business owner cannot be held personally responsible for all debts and obligations of a business. The amount of this debt (liability) is limited to the value of the investment.
2	3-4	Application must be present, using advantages to Tarek of a private limited company	e.g. Tarek can expand *Hummingbird Bakery* domestically and internationally (Dubai) which require further levels of investment and commitment.
3	5-6	Analysis in context must be present and related to reasons/causes/costs/ consequences to Tarek when setting up a private limited company **N.B. if analysis is not in context, limit to Level 2.**	e.g. Tarek is protected against any judgements or debts incurred by *The Hummingbird Bakery* which means he cannot lose his house or personal possessions if the company cannot pay its debts. e.g. As a Ltd Tarek may have access to additional sources of external finance to help international expansion e.g. Benefits of private limited ownership include the freedom to make business decisions without having to consider views of many shareholders.
4	7-8	Evaluation must be present and in context for Tarek when setting up a private limited company Award **7 marks** if one side only is in context. Award **8 marks** if BOTH sides are in context. **N.B. if evaluation not in context, limit to Level 3.**	e.g. However, *The Hummingbird Bakery* will have to build a good credit reputation with suppliers to be extended trade credit. e.g. Directors may still have to give personal guarantees to banks if they wish to take out a loan and therefore still run the risk of losing personal assets and banks may not agree such loans.

Question Number	Question		Marks
10	Evidence C illustrates some examples of the use of social networking by *Hummingbird Bakery.* Assess the likely value of social networking as a market research tool for *Hummingbird Bakery.*		12 marks
Level	**Mark**	**Descriptor**	**Possible content**
1	1-2	Knowledge/understanding of social networking/market research	e.g. Social networking is an online grouping of millions of individuals looking to communicate and share information with each other. **OR** Definition of market research e.g. systematic gathering of data regarding buyer intentions and market conditions.
2	3-4	Application must be present, of how social networking can support market research	e.g. Social networking can be used by the *Hummingbird Bakery* as a useful tool for gathering qualitative and quantitative data. e.g. The *Hummingbird Bakery* can recruit its respondents for product trials through its Twitter and Facebook pages. e.g. Social networking allows the *Hummingbird Bakery* to solicit opinions from its customers.
3	5-6	Analysis in context must be present, **N.B. if analysis is not in context, limit to Level 2.**	e.g. *Hummingbird Bakery* gains access to customer comments and feedback that can be analysed and used as a basis to make business decisions. e.g. *Hummingbird Bakery* can use Twitter by announcing new products and offers, inviting instant comments and feedback and monitor responses for example, on product visuals and branding. e.g. One person in *The Hummingbird Bakery* can set up Facebook and Twitter feeds without having to set up expensive marketing

			research events such as interviews and focus groups. e.g. The *Hummingbird Bakery* does not have to seek out market segments to carry out market research as they have potentially large sample populations on-line.
4	7-12	**Low Level 4:** 7-8 marks. Evaluation must be present and in context on one side **Mid Level 4:** 9-10 marks. Evaluation must be present and in context on both sides **High Level 4:** 11-12 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.**	However, *Hummingbird Bakery* has no real control over who chooses to 'like' their Facebook pages or link on Twitter and these individuals may not discriminate which websites they join or have even tried *Hummingbird Bakery* products. Social networking may give biased results which if used in decision-making may lead to expensive errors for the business. Social networking market research can be limited as it still requires customers to visit the shop to experience the taste of the cakes before being able to offer feedback; which means that many of the target market may only be able to comment on the design and decoration of the cakes; unless they are in London or Dubai at the time of the product trial. However, it can provide useful information when used together with traditional market research.

Question Number	Question			Marks
11	Evaluate the use of franchising for the international expansion of *Hummingbird Bakery.*			14 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of franchising *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. A franchise is a form of business which the owner (franchisor) of a product or service is able to distribute more widely through affiliated dealers (franchisees). e.g. Franchisees pay an initial fee and ongoing royalties for the use of a trademark, ongoing support and the rights to use the franchisors systems of doing business and sell its products and services.	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the *The Hummingbird Bakery.* *Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.*	e.g. Tarek has already linked up with a franchising company which has a record of success with well known brands. e.g. *The Hummingbird Bakery* has already opened one franchise in Dubai and a further two are planned.	
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of franchising to *The Hummingbird Bakery.* **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. As a proven business, franchises have a better track record of success than any other new business start up with support in management, product research and buying powers. e.g. Expanding through franchising offers Tarek an opportunity for income generation without the requirement for major capital investment from him.	

			e.g. Engagement of an international franchising company gives Tarek the opportunity to expand without diverting his attention from his core business. e.g. Franchisees in different countries will be more familiar with cultural or local differences which reduce the risk of failure for Tarek.
4	9-14	**Low Level 4:** 9-10 marks. Evaluation must be present and in context on one side, **Mid Level 4:** 11-12 marks. Evaluation must be present and in context on both sides, **High Level 4:** 13-14 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. However, if franchisees do not fully adopt the ethos of Hummingbird Bakery there is potential for damage to the iconic Hummingbird brand domestically and internationally e.g. The move to franchising as a means of expanding means that Tarek has to share the profits with the franchisee. Whereas before, he did not share profits. e.g. However, Tarek is handing over a degree of control. It means someone else will be responsible for maintaining the high quality products and standards Hummingbird is known for

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